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U.S. Congress. House.

Fourth liberty bond bill

Washington

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FOURTH LIBERTY BOND BILL

HEARINGS

BEFORE THE

COMMITTEE ON WAYS AND MEANS

HOUSE OF REPRESENTATIVES

SIXTY-FIFTH CONGRESS

SECOND SESSION

ON

A BILL TO AUTHORIZE AN ADDITIONAL ISSUE OF BONDS TO MEET EXPENDITURES FOR THE NATIONAL SECURITY AND DEFENSE, AND, FOR THE PURPOSE OF ASSISTING IN THE PROSECUTION OF THE WAR, TO EXTEND ADDITIONAL CREDIT TO FOREIGN GOVERNMENTS, AND FOR OTHER PURPOSES

JUNE 27, 1918

WASHINGTON
GOVERNMENT PRINTING OFFICE
1918

COMMITTEE ON WAYS AND MEANS.

HOUSE OF REPRESENTATIVES,

SIXTY-FIFTH CONGRESS, SECOND SESSION.

CLAUDE KITCHIN, North Carolina, *Chairman.*

HENRY T. RAINEY, Illinois.
LINCOLN DIXON, Indiana.
CORDELL HULL, Tennessee.
JOHN N. GARNER, Texas.
JAMES W. COLLIER, Mississippi.
CLEMENT C. DICKINSON, Missouri.
WILLIAM A. OLDFIELD, Arkansas.
CHARLES R. CRISP, Georgia.
GUY T. HELVERING, Kansas.
GEORGE F. O'SHAUNESSY, Rhode Island.
JOHN F. CAREW, New York.
GEORGE WHITE, Ohio.
JOSEPH W. FORDNEY, Michigan.
J. HAMPTON MOORE, Pennsylvania
WILLIAM R. GREEN, Iowa.
CHARLES H. SLOAN, Nebraska.
NICHOLAS LONGWORTH, Ohio.
GEORGE W. FAIRCHILD, New York.
JOHN A. STERLING, Illinois.
WHITMELL P. MARTIN, Louisiana.
WILLIS C. HAWLEY, Oregon.
ALLEN T. TREADWAY, Massachusetts.

JOHN E. WALKER, *Clerk.*

FOURTH LIBERTY BOND BILL.

COMMITTEE ON WAYS AND MEANS,
HOUSE OF REPRESENTATIVES,
Thursday, June 27, 1918.

The committee met at 10 o'clock a. m., Hon. Claude Kitchin (chairman) presiding.

There were present also Representatives Rainey, Dixon, Hull, Garner, Collier, Dickinson, Oldfield, Crisp, Carew, Fordney, Moore, Green, Sloan, Longworth, Fairchild, Sterling, Hawley, and Treadway.

The committee had under consideration the bill providing for the fourth liberty bond authorization, which is as follows:

A BILL To authorize an additional issue of bonds to meet expenditures for the national security and defense, and, for the purpose of assisting in the prosecution of the war, to extend additional credit to foreign Governments, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section one of the second liberty bond act, as amended by the third liberty bond act, is hereby further amended by striking out the figures "$12,000,000,000" and inserting in lieu thereof the figures "$20,000,000,000."

SEC. 2. That section two of the second liberty bond act, as amended by the third liberty bond act, is hereby further amended by striking out the figures $5,500,000,000 and inserting in lieu thereof the figures $7,000,000,000.

SEC. 3. That notwithstanding the provisions of the second liberty bond act, as amended by the third liberty bond act or of the War Finance Corporation act, bonds and certificates of indebtedness of the United States payable in any foreign money or foreign moneys, and bonds of the War Finance Corporation payable in any foreign money or foreign moneys exclusively or in the alternative, shall, if and to the extent expressed in such bonds at the time of their issue, with the approval of the Secretary of the Treasury, while beneficially owned by a nonresident alien individual or by a foreign corporation, partnership, or association, not engaged in business in the United States, be exempt both as to principal and interest from any and all taxation now or hereafter imposed by the United States or any of the possessions of the United States, any State, or by any local taxing authority.

SEC. 4. That any incorporated bank or trust company designated as a depositary by the Secretary of the Treasury under the authority conferred by section eight of the second liberty bond act, as amended by the third liberty bond act, which gives security for such deposits as, and to amounts, by him prescribed, may, upon and subject to such terms and conditions as the Secretary of the Treasury may prescribe, act as a fiscal agent of the United States in connection with the operations of selling and delivering any bonds, certificates of indebtedness, or war savings certificates of the United States.

SEC. 5. That the short title of this act shall be "Fourth liberty bond act."

STATEMENT OF HON. R. C. LEFFINGWELL, ASSISTANT SECRETARY OF THE TREASURY, ACCOMPANIED BY HON. GEORGE R. COOKSEY, ASSISTANT TO THE SECRETARY OF THE TREASURY.

The CHAIRMAN. The committee will come to order. We have Mr. Leffingwell, Assistant Secretary of the Treasury, here this morning, to discuss the new bond authorization. Mr. Leffingwell, please just explain to the committee the necessity of it. We all recognize it.

Mr. LEFFINGWELL. May I, Mr. Chairman, read the Secretary's letter to you of June 12, 1918, in which he transmitted the draft of this bill?

The CHAIRMAN. Yes, sir.

(Mr. Leffingwell here read the letter referred to, which is as follows:)

TREASURY DEPARTMENT,
Washington, June 12, 1918.

DEAR MR. KITCHIN: I venture to submit to you herewith a draft of a fourth liberty bond bill. I should be very glad if you would give this bill your consideration as its early enactment would put the Treasury in a position to make plans well beforehand for the fourth liberty loan in the fall. The bill is very brief and involves a few simple propositions.

Section 1 provides for increasing the amount of bonds authorized from $12,000,000,000 to $20,000,000,000. This amount is greater than would be issued in the fourth liberty loan but, if the practice which was adopted successfully in the third loan of making allotment in full upon all subscriptions is followed, it will be necessary to have a substantial margin to cover any possible oversubscription.

Section 2 would increase the amount of the appropriation for loans to foreign governments from $5,500,000,000 to $7,000,000,000. You will recall that in asking for the appropriation of $1,500,000,000 in connection with the third bond bill the requirements were figured at $500,000,000 a month for July, August, and September. Loans to the allies have fallen considerably below that figure and the additional appropriation would, I hope, carry us through the early winter.

Under the provisions of the third liberty bond bill and the War Finance Corporation act bonds payable in foreign moneys would be subject to surtaxes and excess profits taxes in the hands of foreigners. It would not be possible, I fear, to sell bonds at the interest rates stipulated without removing this taxation and the provision of section 3 of this bill is intended to do this.

A good deal of hardship in individual cases has arisen because of the fact that subscribers for liberty bonds have paid their money to banks and trust companies throughout the country which were willing to aid in connection with the liberty loans, but which were not sound and subscribers have lost sums of money which were small in themselves but big to them. This has an unhappy effect and section 4 would authorize the Secretary of the Treasury to use the qualified depositary banks throughout the United States as fiscal agents in connection with these loan operations.

Under doctor's orders I must be away for a month to come, and whenever you should be ready to consider these matters, I should be glad if you would give Mr. Leffingwell an opportunity to appear before you and explain them in greater detail.

Cordially, yours,

W. G. MCADOO, *Secretary.*

Hon. CLAUDE KITCHIN,
House of Representatives, Washington.

Mr. LEFFINGWELL. The bill increases the amount of bonds authorized to $20,000,000,000. This figure is an arbitrary amount fixed for convenience. We have issued about $8,000,000,000 of bonds against an authorization of twelve. That leaves four. We should be free to make practically an open issue again, as we did in connection with the last loan and be in a position to look the future in the face for a few months. In any case, the authorization suggested does not cover the estimates for the fiscal year 1919, even assuming a greatly increased revenue from taxation.

The CHAIRMAN. Mr. Leffiingwell, why would it not be wise to increase the authorization up to the amount that you feel like you have got to have. The estimate is made of $24,000,000,000 for the expenditures of next year, and we are trying to raise $8,000,000,000 through taxes.

Mr. LEFFINGWELL. Yes.

The CHAIRMAN. Making $12,000,000,000 in bonds, in addition to the four billions already authorized but not yet issued. Is it wiser that we should wait and have another bond act or authorize it at once, so that you can sell whatever conditions require?

Mr. LEFFINGWELL. I think it was in the Secretary's thought that this left an ample margin for any bonds we could issue before Congress would be in a position again to hear any suggestions he might have to make, and that it was on the whole wiser and would be more in keeping with the wishes of Congress that he should ask only for such an amount.

Mr. HULL. Then, besides that there are so many changes going on that next fall or winter it is more than likely to be found necessary to insert some modifications.

The CHAIRMAN. Or issue more bonds on top of that.

Mr. HULL. But on the other hand it is possible that a substantial amount of our estimates for this year, which, although they will be utilized, would extend the making of contracts which do not call for payment until later on, those conditions will come up during the spring or the latter part of the winter.

The CHAIRMAN. We have no objection, whichever you prefer.

Mr. LEFFINGWELL. On the whole, I have a slight preference for leaving the figure what it is. But it would be entirely acceptable if you were to add a round amount calculated to cover the estimates for the rest of the fiscal year.

Mr. FORDNEY. We are getting so accustomed to appropriating in large figures that Mr. Kitchin thinks four or five billions would not make any difference.

The CHAIRMAN. I just wanted to know your view in respect to that, whether it should all be done now or a part of it now. Perhaps the latter would be wiser.

Mr. STERLING. How many bonds have been sold now?

Mr. LEFFINGWELL. Ten billions, roughly.

Mr. STERLING. And the taxes collected this year are a little more than four billions?

Mr. LEFFINGWELL. A little more than four billions is the estimate.

Mr. STERLING. Will that answer the purposes of the case up to the 1st of July?

Mr. LEFFINGWELL. Just about, and leave a billion in the general fund balance.

The CHAIRMAN. You do not mean that four billions has actually been collected, but estimate that you will collect it in this tax year?

Mr. COOKSEY. Yes.

Mr. STERLING. Does that leave a billion for working purposes?

Mr. LEFFINGWELL. Roughly, a billion for working capital. You can not do business on the basis of spending a billion and a half a month without keeping a little in the bank to see you through.

Mr. FORDNEY. Mr. Leffingwell, that statement of four billions is just a little confusing to me. Let me understand it. Do you mean to say we will collect four billions under this fiscal year, of revenues of all kinds?

Mr. LEFFINGWELL. That is correct.

Mr. FORDNEY. Then going on that basis, the existing law would produce a great deal more next year, because the last revenue act did not become effective until the 4th of October, and therefore four billions this year is not a full year's collection under existing law?

Mr. LEFFINGWELL. This was a full year's collection except for the miscellaneous receipts. The revenue and excess-profits taxes, of course, were retroactive from the beginning of the fiscal year.

Mr. FORDNEY. All your stamp taxes, and everything except your income and excess-profits taxes, were for that portion of the year, from the 1st of October down to the 1st of July?

Mr. LEFFINGWELL. That is correct.

Mr. FORDNEY. Have you any idea how much more would have been collected had the law been in effect during the entire fiscal year? Are there any figures on that, Mr. Cooksey.

Mr. COOKSEY. The estimated ordinary receipts for 1918 are $4,110,699,000; for 1919, $4,317,000,000.

Mr. FORDNEY. Therefore the other taxes, which would be internal revenue and stamp tax, would not increase the amount very greatly?

Mr. COOKSEY. No; the actuary of the Government and the Internal Revenue Bureau estimate that part of the income and excess profits taxes due this year will be paid next year, making the total amount received from these sources for the two years about the same, that is to say $2,775,000,000 for each year.

Mr. STERLING. Under the present law, if we allowed it to stand as it is, the receipts next year would be the same as this year?

Mr. COOKSEY. The Internal Revenue Bureau estimates that while the income and excess profits taxes for this year may be something like $3,000,000,000, about 225 millions of that amount will probably not be paid until after July 1, or in the next fiscal year. The bureau estimates that the assessments on next year's incomes on the basis of the present law may be less than this year but the actual receipts in the Treasury will be the same on account of the amount going forward from this year.

Mr. STERLING. Do you ascribe the decrease to the fact that prices have been fixed generally?

Mr. COOKSEY. No; I do not think so. Of course, to some extent that may affect the matter.

Mr. STERLING. Of course the income tax will be materially reduced by reason of the fact of the fixing of prices?

Mr. COOKSEY. Undoubtedly, to some extent.

Mr. GREEN. Could you make an estimate as to how much we would get from the two branches, as we commonly speak of them—the income tax proper and the excess profits tax?

Mr. COOKSEY. No; I can not. The Internal Revenue Bureau based its reports on telegraphic advices, and they were not separated by the collectors.

Mr. FORDNEY. Did I understand you to say that there will be collected in this fiscal year about $2,775,000,000?

Mr. COOKSEY. $2,775,000,000 is the estimate. The amount can not be stated exactly to-day. While the taxes may reach $3,000,000,000 part of the amount will be paid early in next year.

Mr. HAWLEY. Why do you think that the revenue earned under the present law will be less next year than this year?

Mr. COOKSEY. That is the Internal Revenue Commissioner's estimate.

Mr. HAWLEY. But why does he think that?

Mr. COOKSEY. One factor is that all of the floor taxes will be missing next year.

Mr. HAWLEY. Does he estimate a reduction of the amount earned on business, on industries throughout the United States?

Mr. COOKSEY. I have not an analysis of his estimate; but we shall be glad to furnish it.

Mr. LEFFINGWELL. I think that is very much a matter of speculation, now.

Mr. COOKSEY. It is a matter of speculation.

Mr. HAWLEY. It is important when we are proposing to increase these taxes, if the present tax will not earn as much next year as this year. I wanted to know, if we could possibly ascertain, what is the reason for that.

Mr. LEFFINGWELL. We shall ask the commissioner to make an analysis of the situation, and give us the basis for his guess why it will be less productive.

Mr. GARNER. If I understand it, in this proposed bill you increase the authorization to issue bonds by $8,000,000,000?

Mr. LEFFINGWELL. Yes.

Mr. GARNERS. Leaving you a total of about 12 billions additional until this bill, to what you have already.

Mr. LEFFINGWELL. Yes.

Mr. GARNER. If you got 8 billions in taxes you would have 20 billions for the next fiscal year; and you think that will be enough to run us until July 1?

Mr. LEFFINGWELL. No, sir; not until July. As Mr. Kitchin pointed out, that is about four billions short. Our thought was that it would carry us well into the winter, in case there should be two loans instead of one necessary before Congress is ready to consider these matters again.

Mr. GARNER. In other words, along in January or February we will probably have to give you another authorization for a bond issue?

Mr. LEFFINGWELL. Yes.

Mr. GARNER. And this is to carry you through the October drive, as it were, with the possibility of another drive?

Mr. LEFFINGWELL. Through October, and leave us where we could go forward again if it was necessary, just as in connection with the third bond bill the Secretary suggested a margin.

Mr. DICKINSON. This 20 billions which is to be authorized covers not only the bonds that could be sold, but it covers also those that have been sold?

Mr. LEFFINGWELL. Yes.

Mr. DICKINSON. Just one other question following that. That would not, by reason of that, give authority to sell an amount beyond that, by excluding those already sold, would it?

Mr. LEFFINGWELL. No; I think it is entirely clear by reference to the third bond act that the total amount of bonds heretofore issued and which may be issued will be 20 billions, or whatever figure you fix. Of course, it is giving an authorization to sell bonds when you have already sold a portion of them, for which no authorization is needed.

Mr. GARNER. Yes; but you have got to construe this act in connection with the third liberty bond act?

Mr. LEFFINGWELL. Yes, that is the explanation. This is an amendment of the existing law.

Mr. DICKINSON. Yes.

Mr. OLDFIELD. What is the advantage of it? Why not make it a separate act every time?

Mr. LEFFINGWELL. Simplicity, principally. The first bond bill was longer than this, the second longer than the first, the third was shorter than the second, and we have tried in preparing this to give you one that is shorter still.

The CHAIRMAN. Instead of that, you would have to repeat——

Mr. LEFFINGWELL. We would have to repeat the whole thing.

Mr. GARNER. This is a ratification of what you have had and an authorization of an additional amount added to what you have already sold?

Mr. LEFFINGWELL. I do not look upon it as a ratification. That would not be necessary.

Mr. GARNER. Well, no.

The CHAIRMAN. You say it is estimated that we will raise this fiscal year $2,775,000,000 from excess-profits tax and income tax?

Mr. COOKSEY. $2,775,000,000.

The CHAIRMAN. Do you recall the estimate which the experts made on the bill passed as to the amount we would get from the excess-profits tax and the income tax? It was $2,400,000,000.

Mr. COOKSEY. Something like that.

The CHAIRMAN. That was their estimate. We estimated there would be $2,400,000,000 additional from the excess-profits tax and income tax, and we estimated under the law of September 8, 1916, that the then income tax would raise what we raised before, $360,-000,000; so that we estimated the total amount raised would be $2,760,000,000, and you said we were going to raise $2,775,000,000. I just wanted to give that to show how close the committee came.

Mr. LEFFINGWELL. The Secretary of the Treasury always thought you were very nearly right in your estimate.

Mr. LONGWORTH. Speaking of the amount of probable income next year, the president of the National Manufacturers Association said yesterday that he thought the net returns of American business would be very much less, or at least substantially less, in the year 1919 than for the year 1918. He cited a variety of causes, and among them the principal cause was fixing of prices. Of course we do not know how much further the Government is going in price fixing, but you take the item of copper alone that will probably be fixed, and it will probably very largely decrease the earnings of the copper companies.

Mr. LEFFINGWELL. I hesitate to answer that view, or to place very much dependence upon it. The policy of fixing prices has not on the whole decreased the cost of living, nor has it effectively prevented its increase.

Mr. LONGWORTH. Yes.

Mr. LEFFINGWELL. And I therefore feel that it is sheer speculation to say, accepting the views of this or that interest where prices have been fixed that a definite result will or will not follow. I have particularly in mind, when you speak of the view of a manufacturer that we were told with the utmost confidence right up to a month before the excess-profits taxes were due that the buiness men of the United States knew that they would amount to $5,000,000,000 instead of 2½ billions, which was the estimate and the truth of the matter is that the congregate sentiment of business men on a matter of that sort is not conclusive. Each man magnifies the effect upon himself, and it is not safe to place dependence upon it. I suppose that the statisticians of the Treasury in the Internal Revenue Commissioner's office may be able to give you some indications, after a very careful study of prices and incomes and economic conditions, of the probable revenue to be derived from a given tax; but I do not think it is safe to assume that these results will follow from the impressions of business men as to their own interests.

Mr. LONGWORTH. I was thinking more of the total volume of taxable income upon which we could next year place a tax with any reasonable idea as to the amount of money that would be raised, because it seems to me pretty evident that 1918 will not be as good a year as 1917. That seems to me the general impression among business men. I do not know whether you get that impression or not.

Mr. LEFFINGWELL. If you look at the income of some one company dealing in a commodity which has had its price fixed, having increased costs for labor and increased costs for material, you will at once conclude that the taxable income of that company is going to be less. But somebody gets the income from the increased cost of labor and the increased cost of material, and in a period on the whole of rising prices and of greatly expanding Government debt you are going to have, against every effort you make to curtail prices, a general increase in the nominal income of people generally.

Mr. LONGWORTH. You mean that a loss of income here may be reflected by a gain of income elsewhere?

Mr. LEFFINGWELL. Exactly. We are going to have many incomes come into the taxable class.

Mr. LONGWORTH. That have not been heretofore?

Mr. LEFFINGWELL. That have not been heretofore.

Mr. LONGWORTH. Yes.

Mr. LEFFINGWELL. I am generalizing upon a subject that I am not prepared to speak about at all definitely, but it seems to me that there is enough in that—in the fact that the general index is moving up.

Mr. LONGWORTH. You think that, generally speaking, we can calculate upon approximately the same returns for 1917 and 1918?

Mr. LEFFINGWELL. I would not say that. I would like to ask the statisticians to go into the thing for you and make a careful analysis. What I have said was in support of my unwillingness now to assume from what certain business men have said, the fact——

Mr. LONGWORTH. Yes; I recall you said that. Of course the question is of the utmost importance to this committee.

Mr. LEFFINGWELL. Yes; in connection with revenue legislation.

Mr. LONGWORTH. Yes.

Mr. LEFFINGWELL. It is, indeed.

Mr. GARNER. Do you say that the business world comparatively were a unit in the opinion that this bill would raise $5,000,000,000 instead of 2½ billions?

Mr. LEFFINGWELL. I imagine that is an exaggeration, Congressman; but you would have thought so if you had sat in the Treasury and read the letters that we read and heard the statements that we heard; but the Secretary of the Treasury kept his head, listened to what his Internal Revenue Commissioner told him, and made a public statement of his conclusions concerning that matter, and they were amply justified by the event. June 15, when the taxes were due, went by, and the only excitement was why there was not any excitement; and June 25, when the penalty went on, went by, with call

money at 4½ per cent. The taxes were handled as the Secretary said they would be handled, without disturbance, and the amount was about what the Secretary thought it would be.

Mr. CRISP. That money was given up without creating a ripple on the surface?

Mr. LEFFINGWELL. Yes. On the contrary, the measures which the Secretary had taken to prevent a ripple, if any, resulted in a net easing of the financial situation. He had sold over $1,600,000,000 of Treasury certificates of indebtedness in anticipation of the taxes maturing June 25, and over $500,000,000 of Treasury certificates of indebtedness in anticipation of the third bond issue, maturing June 18, making maturities of more than $2,100,000,000 in 10 days; and he had availed himself of the authority which you gave to him in connection with the third bond bill, to set up machinery for the redeposit of tax moneys with the banks on which the tax checks were drawn. The Federal reserve banks handled that, under his instructions, with great skill, and I have yet to hear a word of dissatisfaction with the operation. Significant in this connection is the fact that it was confidently asserted by many intelligent men that this committee and the Treasury had underestimated the yield of the income and excess-profits taxes by 100 per cent. As a matter of fact this committee and the Treasury were about right.

Mr. GREEN. I think your diagnosis of the conditions is well expressed. It seems to me that when the representatives of various classes of business came before this committee they were inclined, and perhaps naturally inclined, to take a very lugubrious view of the prospect of having excess-profits taxes laid upon them, and some of them took it to such an extent that they presented a most mournful appearance to the committee. There was a gentleman who appeared before us who acknowledged that the class he represented had never before made so much money in the history of their business, but he was very confident that in the future the ruin of the business would be accomplished.

Mr. MOORE. Mr. Leffingwell, is it likely that the Secretary will be back in time to appear before this committee?

Mr. LEFFINGWELL. In connection with the bond bill?

Mr. MOORE. Not in connection with the bond bill, but in connection with the tax bill.

Mr. COOKSEY. I do not know, but I think he will be back about the middle of July.

Mr. MOORE. We are informed, of course, that Mr. Leffingwell will appear for him, but in the Secretary's letter to Mr. Kitchin of June 5, when he described the tax position pretty fully, he said:

> There are also certain general considerations bearing upon the problem of taxation which I hope I may be permitted to bring to your attention.

I took that to mean that the Secretary intended to make some suggestions to the committee.

Mr. COOKSEY. Is not that an introductory sentence to what follows?

Mr. MOORE. Yes; he speaks then of the excess-profits tax, etc.

Mr. LEFFINGWELL. If you will read that with a colon after the word "attention," you will have the Secretary's thought.

Mr. MOORE. I took that to mean that the Secretary intended to appear personally before the committee and make some suggestions with regard to it, because he was discussing taxation in this letter.

Mr. COOKSEY. The sentence you read refers to what follows in the letter, but the Secretary will be glad to appear if the committee desires.

Mr. MOORE. Following this letter, dealing with the subject of taxation, the Secretary tells us of the rates here and of the rates in Great Britain, speaks of the 80 per cent flat rate on all war profits in Great Britain, and discusses excessive profits now being realized in the United States, and then says:

> In entering into war contracts they take grave risks. They are called upon to make vast expenditures of capital for purposes which may prove unproductive after the war. They are not to be blamed in these circumstances for asking for prices and terms which cover these risks.

And following that he says:

> On the other hand, when the risk has been liquidated by proper allowances and the contract has proved profitable, the Government should take back in taxes all profits above a reasonable reward.

That is a pretty strong statement of the Secretary's position in regard to excess profits. It seemed to me that it might be advisable to have something specific from him or from you on that subject, as to what he means is a reasonable reward for those who are doing business for the Government, or are making excess profits at the present time. We have had before us a number of people who have advocated taking all profits above a certain percentage, and the Secretary to a certain extent takes that position here. Everything that he suggests here, however, would depend upon what he regarded as a reasonable reward, and I did not know but what he had discussed that with you so that you might discuss it with us.

Mr. LEFFINGWELL. I will endeavor to elucidate any question you have in mind. The distinction he makes there is between a tax such as the English tax, which is based on a flat rate on profits in excess of those received during the prewar period, and our excess-profits tax, which is based on the income in excess of a given return on a given capital; and he suggests an alternative tax under which you would take whichever were greater.

Mr. MOORE. The British flat rate is 80 per cent on all war profits. I think there are certain allowances, however, which may work favorably in the end to certain business men, certain of the larger institutions.

Do you advocate, or does the Secretary advocate, the installation here of an 80 per cent flat rate on excess profits?

Mr. LEFFINGWELL. The Secretary did not, in that letter, assume to suggest what the rate should be. He called your attention to the rate in England, and tried to indicate what he thought were the general principles which it would be advantageous to follow.

Mr. MOORE. While I have no quarrel with the Secretary's recommendations, and am not contentious at all in asking these questions, my idea was to get at what was in the Secretary's mind or in your mind as the basis for this new revenue bill that we are to consider. What is the basis? Are we to wipe out the existing law and start with an 80 per cent flat rate?

Mr. LEFFINGWELL. That question is answered in the letter. His suggestion is that there should be a retention of the existing law, but certain inequalities should be removed, and that there should be also

a tax on war profits at a high rate. You will find that summarized at the end of the letter, in the paragraph numbered 2.

Mr. MOORE. Have you made any calculation, knowing the necessities of the Treasury, that would lead you to suggest what that higher rate should be?

Mr. LEFFINGWELL. I have not; no.

Mr. MOORE. Has it been done in the department?

Mr. LEFFINGWELL. Mr. Cooksey can answer.

Mr. COOKSEY. No.

Mr. MOORE. Evidently we have to fix some such rate.

Mr. LEFFINGWELL. I have no doubt that if this committee should ask the Secretary of the Treasury to recommend a rate, he would at once do so, but his thought, I am satisfied—having read his letter—was that you would welcome his suggestions on general principles, but would not expect him to make a suggestion as to the rate of taxation.

Mr. MOORE. I presume it would be very important for us to have official information from the Treasury Department before we finally enacted a law.

The Secretary makes the suggestion that we should take back in taxes all profits above a reasonable reward, and he then says:

> Under existing law that does not happen, because the tax rates are not high enough and can not safely be made high enough, since the test now is not how much of the profits are due to the war, but what relation the profits bear to the capital invested. A company with a swollen capital and huge war profits escapes.

Now, you are in possession of the information in regard to these huge profits, and are the only agency to which we can go for authentic information.

Mr. LEFFINGWELL. A Senate resolution calls for that information, and it is being prepared by the commissioner. I think you will understand that the commissioner just at this moment has his whole organization very busy collecting this year's taxes, and that the tabluation of that information involves a great deal of work; but it will be done of course.

Mr. MOORE. I certainly concede all that very cheerfully, but this committee is obliged to pass a law which touches the pocketbook of every man, woman, and child in the country, and it ought not to act blindly in a matter of this importance.

Mr. LEFFINGWELL. Any information that you want the Treasury will be glad to furnish.

Mr. MOORE. Well, we had before us yesterday the representative of some moving-picture artists, who made a very strong plea for exemption and for relief, and we discovered that in one instance an artist was deriving no less than $500,000 income at the present time. Now, if we were to adopt a flat rate of 80 per cent tax as against that artist earning $500,000 this year, if he had an income of $500,000 we would take $400,000 from him for the Government, and we would leave him $100,000, which to the average man would be a fortune, sufficient for him to live on for the balance of his life, and if we were to apply that flat rate to the man whose income was $1,000 a year we would take $800 from him and leave him $200, which of course would not be suficient to keep him very long if his earning powers continued at a no greater figure than $1,000.

Mr. LONGWORTH. Are you not losing sight of the distinction that the English excess-profits tax is not 80 per cent on the amount of income, but 80 per cent upon the difference between this year's income and the average of the prewar years?

Mr. MOORE. I am not losing sight of that, Mr. Longworth, but I am trying to get from some authorized spokesman—some one qualified to speak—an opinion as to whether the Treasury Department thinks we should make such allowances for the man earning $500,000 per annum, and still apply that same basis of tax to the man earning $1,000 per annum.

Mr. LEFFINGWELL. I have not much thought of the war-profits tax as applying to an individual at all. I have assumed it as having reference to corporations and going business concerns. It is obvious, it seems to me, that in any war-profits-tax law you would make such exceptions as would prevent gross injustice; but if you have a going business that is making $100,000——

Mr. MOORE. Do not they do that now? Do they not make such allowances under the 80 per cent flat rate?

Mr. LEFFINGWELL. I understand they do.

Mr. MOORE. Does not that generally operate in favor of the stronger man?

Mr. LEFFINGWELL. No, I think not. They allow a higher rate to the individual.

Mr. MOORE. I am not playing the demogogue in asking these questions. It seems to me that the bulk of the tax must be obtained from the men who have these larger fortunes; although, if you levy taxes by a system, consumption taxes will probably have to be resorted to.

Mr. LEFFINGWELL. If you will consider the four recommendations which are summarized at the end of the Secretary's letter, you will there, at least, I think, see a logical plan which does contemplate taking big taxes from men of large fortune. The retention of our graduated income and excess-profits tax, the imposing of a higher rate of taxation upon unearned than upon earned incomes, the taxation of business enterprise which has profited by the war, and the taxation of luxuries contain the basis of a tax which ought to fall upon the people best able to pay the expenses of the war.

Mr. MOORE. I note that the Secretary in his letter to Mr. Kitchin, which I have quoted, draws the line; he indicates that if the boys are to give up their lives to the Nation, men with fortunes should yield up some of their property. He makes that illustration very clear.

You have referred to luxuries, but I observe you have no suggestion at all. Although the President refers to luxuries in his message we have had no suggestion from the department at all with regard to luxuries—nothing stating what they are—nothing specific. We have had a good deal of information, and some suggestions as to people who have luxuries. Does the department intend to make any suggestion in that respect?

The CHAIRMAN. I have also asked the commissioner to make suggestions, or to give a list of nonessentials or luxuries, or the least essential luxuries that would be the proper subject of taxation, and he has promised to send that to me as soon as he can.

Mr. MOORE. It is just a little field. I am much obliged for the suggestion.

Have you seen the statement which the clerk of the committee has handed to the members this morning, which is a table showing the bonds authorized by each bond act and the proposed bond authorization?

Mr. LEFFINGWELL. I have just had it handed to me.

Mr. MOORE. It seems to be a summary of the entire bond situation, and I would like to have you look it over and see if it is correct, in order that we may put it into the record.

Mr. COOKSEY. Mr. Moore, there is only one small omission, that I notice at a glance, and that is there is no account taken of postal savings bonds. In estimating outstanding authorizations of bonds, it is necessary to deduct the postal savings bonds from the authorizations, because under the law the Treasury must call bonds to the amount of postal savings bonds issued, or deduct the amount from existing authorizations. The deduction in this instance should be $1,302,140.

Mr. MOORE. Are you prepared to say that this statement is correct at the present time?

Mr. COOKSEY. It will be checked up for the record.

Mr. MOORE. This statement, which I trust you will take in hand, shows in the first total that the total amount of bonds authorized by law up to date is $22,000,000,000.

Mr. LEFFINGWELL. Correct, including the proposed amount.

Mr. MOORE. Thus far $14,000,000,000 have been authorized. That is correct?

Mr. LEFFINGWELL. That is correct.

Mr. MOORE. The bill now before us proposes to increase the authorization $8,000,000,000, making a total of $22,000,000,000.

Mr. DIXON. $20,000,000,000.

Mr. MOORE. $22,000,000,000.

Mr. LEFFINGWELL. The difference of $2,000,000,000 is under the first act.

Mr. MOORE. This first total sets out a total of $22,000,000,000] Will you explain that, Mr. Leffingwell?

Mr. LEFFINGWELL. The seocnd and third bond acts deal with a figure which is in addition to the $2,000,000,000 of bonds which were sold under the first act.

Mr. MOORE. Well the $2,000,000,000 were included in the $7,500,-000,000?

Mr. LEFFINGWELL. No, sir; additional.

Mr. MOORE. Then your total of $22,000,000,000 would be correct?

Mr. LEFFINGWELL. Yes.

Mr. MOORE. Then that would represent on the passage of this bill, $22,000,000,000 would represent the total bond issue, bond authorization to date?

Mr. LEFFINGWELL. The total war bond authorization.

Mr. MOORE. The total war bond authorization exclusive of certificates of indebtedness?

Mr. LEFFINGWELL. That is correct.

Mr. STERLING. Exclusive of thrift stamps?

Mr. LEFFINGWELL. And war savings stamps.

Mr. MOORE. I want to get at the correct figures.

Mr. LEFFINGWELL. We are speaking of authorizations. It is well to bear in mind, however, that we have sold $10,000,000,000 of bonds and have loaned between $5,000,000,000 and $6,000,000,000 to our allies and have raised $4,000,000,000 in taxes, and we shall end this fiscal year without a floating debt except for two issues of Treasury certificates maturing in July and August, which are about covered by installments as yet unpaid on the third liberty loan. So that the financial picture at the end of 15 months of war is very favorable.

Mr. MOORE. Well, on the passage of this bill we will have authorized the issue of $22,000,000,000 off bonds.

Mr. LEFFINGWELL. Correct.

Mr. MOORE. That will represent out liberty bond indebtedness account?

Mr. LEFFINGWELL. Authorization.

Mr. MOORE. Now in addition to that if we pass the new tax bill we will be expected to raise $8,000,000,000. That plus the $22,000,-000,000 will mean a total indebtedness charged against the public to date of 30,000,000,000 will it not?

Mr. LEFFINGWELL. You are leaving out this year's taxes. That would be——

Mr. MOORE. Add those, and that would be $34,000,000,000, the war cost to date.

Mr. LEFFINGWELL. Not the war cost.

The CHAIRMAN. That includes current, ordinary expenses of the Government.

Mr. MOORE. Take those out. If it had not been for the war we would not have issued these bonds, nor would we have levied these taxes. That is a fair statement that the war cost to date, on the passage of this loan bill, and the passage of our tax bill, will have been $34,000,000,000.

MR. LEFFINGWELL. No, sir; that is not the war cost to date at all. That is the contemplated expenditure for a period carrying us well into the next year.

Mr. MOORE. Very well, we will call it at the end of the fiscal year 1919; that would be accurate, would it not?

Mr. LEFFINGWELL. No, because we left out about $4,000,000,000 which we expect to spend next year in addition to the taxes which you speak of and the bonds now authorized.

Mr. MOORE. I am speaking only of the authorization. I know some of the money has not been raised and some has not been spent, but including taxes, the war expenditures authorized up to the end of the fiscal year 1919 will have amounted to $34,000,000,000 according to this statement.

Mr. LEFFINGWELL. If you levy an $8,000,000,000 tax bill and our calculations are correct.

Mr. MOORE. Now, in addition to that, if we——

Mr. LEFFINGWELL (interposing). Just a moment. I am not sure that there is a factor of error as to the first three months of the war during the fiscal year 1917. Those are not in these figures, are they?

Mr. COOKSEY. Yes; they are substantially in those figures, but the additional bonds will not be sufficient to cover that period.

Mr. MOORE. Now, it comes back again to the suggestion of Mr. Garner. If there is another liberty loan authorization in the spring, when you probably will have to begin another drive, and you ask then for

$8,000,000,000 additional authorization, that would mean that our total war expenses would mount up to $42,000,000,000, would it not?

Mr. LEFFINGWELL. If we did that our authorizations would then mount up to that.

Mr. MOORE. In view of your known expenses and the demands of our allies, the requirements of the Government, is it not the fact that you anticipate another loan drive in the spring, following the October drive which is now in contemplation?

Mr. LEFFINGWELL. I should think assuredly if things go on as they are going there would be another loan after the one in the fall.

Mr. MOORE. Then, if the demand should be for $8,000,000,000, which has been suggested, the war cost would mount up to $42,000,000,000?

Mr. LEFFINGWELL. I do not know whether I follow you, Mr. Moore. It does seem to me to be unprofitable to talk about war costs in terms of authorizations. We know that the expenditures of this fiscal year will be about $13,000,000,000. That is not all war cost. If you compare the expenditures of the year before, you will make the deduction, and perhaps reach the conclusion that the war costs of this fiscal year were $12,000,000,000.

Mr. LONGWORTH. $1,000,000,000 was not included.

Mr. LEFFINGWELL. Yes; if you want to think about the war costs for the next fiscal year, you will have before you the Secretary's letter, from which you have been reading, in which he estimated that it will be $24,000,000,000.

Mr. MOORE. That $24,000,000,000 I added and included the possibility of an $8,000,000,000 drive in the spring.

Mr. LEFFINGWELL. Yes. The two years' estimated expenditures figured together would give you $36,000,000,000. I haven't at my finger's end the amount which should be added to that on account of the three months in the fiscal year 1917, but if you add to that $36,000,000,000, the figure for the three months you will have as near as the Treasury can give it to you an estimate of the war costs up to June 30, 1919, and that is considerably below the figure you mention.

The CHAIRMAN. The way I have figured this, we estimate that we are going to spend for this fiscal year $13,000,000,000. Now for the next fiscal year you estimate $24,000,000,000. That makes in round numbers $37,000,000,000. Then if you take out the $2,000,000,000 for the ordinary expenses of the Government, that would leave $35,000,000,000.

Mr. LEFFINGWELL. I would like, if I may, to insert in the record, because it is interesting, this letter from the Secretary to the banks and trust companies, dated June 12, 1918.

(The letter is as follows:)

JUNE 12, 1918.

DEAR SIR: Following the same plan as that announced in my telegram of February 6, 1918, I am writing to inform you of the program for the ensuing four months, so far as one can be made at this time, in order that every bank and trust company in the United States may have adequate notice and be able to prepare itself to meet patriotically the requirements of the Government. I am sending a similar letter to every bank and trust company in the United States.

This policy, adopted in February last, was successful, and, having fulfilled expectations in the sale of certificates of indebtedness prior to the third liberty loan, demonstrated that the Government could rely upon the hearty support and cooperation of the banks when given opportunity in advance to make necessary preparations.

The expenditures of the Government, as nearly as can be estimated, will require the sale of certificates of indebtedness up to the 1st of November, 1918, aggregating approximately $6,000,000,000. This would involve the issue every two weeks of about $750,000,000 of certificates substantially similar in character to those issued prior to the third liberty loan, except that they will have various maturities not exceeding four months. For the months of July and August that program will be followed as nearly as possible.

The first issue of the certificates will be dated June 25, will mature October 25, with interest at $4\frac{1}{2}$ per cent, and similar issues, it is expected, will be made on Tuesday of every other week following June 25. It is, however, contemplated that at a convenient and favorable period during the summer an offering will be made to the general public directly, and through the banks, of an amount yet to be determined, perhaps $2,000,000,000 of certificates of suitable maturities for use by taxpayers in paying next year's taxes, viz, taxes payable June, 1919, levied under existing and pending legislation. To the extent that certificates of that character are sold, substantially an equivalent reduction in the amount of the regular fortnightly sale of certificates issued in anticipation of the next liberty loan will be effected.

In giving this timely advice of the estimated requirements of the Treasury to all the banks of the country, and, through them, to those who expect to make payment of taxes in 1919, it is hoped that they will make arrangements promptly of such a character that no delay will be experienced in the sale and distribution of Treasury certificates of both issues.

The Federal reserve banks will advise all National and State banks in their respective districts of the amount of certificates which they are expected to take from time to time in pursuance of this program, which amount can be figured roughly to equal $2\frac{1}{2}$ per cent of the gross resources of each bank and trust company for every period of two weeks, or a total of 5 per cent monthly. It will be remembered that in the February program the amount which the banks were asked to take was substantially equal to 2 per cent of their gross resources for each period of two weeks, or a total of 4 per cent monthly. The total number of biweekly offerings of certificates to be made to the banks will somewhat depend upon the amount to be raised from the public through the sale of tax certificates as above described.

Already more than 700,000 of our splendid American boys are on the soil of France, and many of them are actually fighting among the heroic defenders of the western front. Fresh contingents of American troops are constantly going forward to France, and this stream will not stop until there is enough of American manhood and valor on the battle line to defeat the Kaiser and his minions and enforce peace upon the righteous basis which will make secure the liberties of mankind. America's sons are dying daily in those battles of fire and poison gases that are now raging in France. The heart of every American must thrill with pride and emotion as he thinks of the sacrifices our sons are making for our safety and our liberty. The bankers of the United States can render a peculiarly helpful service to our gallant sons by keeping the Treasury of the United States supplied with the money required by the Government to furnish every American hero with the things he must have to fight victoriously or to die gloriously. I am sure that no patriotic banker in the United States will fail to do his full meed of essential service to his country and to her noble defenders.

Cordially, yours,

W. G. MCADOO.

Mr. SLOAN. Mr. Leffingwell, what have you to say about the progress of exchanging the short-time for long-time securities of the allies to whom we have made loans?

Mr. LEFFINGWELL. The exchange of our short-time obligations?

Mr. SLOAN. No; that is, you took short-time obligations, I understand, but the exchange of those for the long-time obligations were to conform with the long-time obligations that we were issuing in this country.

Mr. LEFFINGWELL. You will recall that in connection with the second bond bill Congress authorized the Secretary to take short-time obligations and to convert them into long-time obligations. They have not been converted. The Secretary does not at the present time wish to convert them, for he does not think it wise to convert them into long-time obligations. The situation changes from day

to day, and what maturities ought to be given to the long-time obligations is a matter which can not be advantageously determined now.

Mr. FAIRCHILD. Mr. Leffingwell, what would be the effect of compelling people to take liberty bonds pro rata for income?

Mr. LEFFINGWELL. The effect would be to impair our position as far as it could be done by legislation. We now get the enthusiasm of the people of the United States behind the sale on each issue of liberty bonds, and we sell them to the men who can buy them. The third liberty loan, coming as it did just before taxes were due, was nevertheless better sold, as they say in the bond-selling business, than any liberty bond. It was sold to the people who could take the bonds and keep them, and there is no substitute for that intensive campaign in reaching the man who can and will buy and keep his bonds. If you were to attempt to say arbitrarily that everyone must take bonds according to his income, you would inevitably have the bonds badly sold, and you would have them thrown on the market and tied up in the banks, and we would be deprived of the benefit of these patriotic campaigns.

Mr. FAIRCHILD. Would it be a good thing to keep a record of those who purchased bonds and those who sold bonds so that the public could know who have them.

Mr. LEFFINGWELL. That is a matter which the Secretary has been giving a great deal of attention to. There are two sides to it. It would be hard for anyone to pass upon the question in every case as to whether a man should or should not sell his bonds. The publication of a list without any discrimination carries with it the danger of doing injustice to the patriotic man who bought his bond and finds himself unable to keep it. He has got to spend his time traveling around the community explaining why he sold his bond.

Mr. FAIRCHILD. Wouldn't that do away with the patriot who buys bonds and then sells them as soon as he can.

Mr. LEFFINGWELL. It would if it carried with it the condemnation of the community for having sold, but it ought not to carry that condemnation unless an opportunity were given to the seller to explain why he had sold. There is also the danger of substituting an arbitrary for a real market in liberty bonds, and thereby curtailing the success of the next issue. If a man thinks he has a liquid investment, and he is a business man having notes to meet from time to time, liberty bonds are as good as cash to him. If, however, he is not to be permitted to sell and realize on his investment, he is not in a position to buy as many bonds. It is a very difficult question and one which the Secretary is very much interested in and is studying over carefully. I ask you to treat what I say as my personal view. The Treasury Department has reached no conclusion. I have sought to indicate that there are two sides to it.

Mr. LONGWORTH. What is the price of the last liberty loan bonds?

Mr. LEFFINGWELL. Ninety-six and one-quarter last night.

Mr. FAIRCHILD. Do you not expect to have much more difficulty in the floating of the next issue than you did in the last?

Mr. LEFFINGWELL. No.

Mr. FAIRCHILD. I suggested that for the reason that it seems to me that there is a great congestion in certain departments, as, for instance, in the factory which I am connected with, we have 1,300 men, and we had 100 per cent subscriptions in that factory for liberty

bonds. About 23 per cent of the men have gone abroad, and about 40 per cent of our men have laid down on their subscriptions, and the company has to carry those subscriptions—that is, that includes the 23 per cent that have gone abroad. A number of banks that I am familiar with have carried bonds also for their customers, the customers paying a small amount and the bank carrying them until they are paid for in installments. I find that the customers have laid down and left the bonds with the bank, and I wondered, because of these reasons, if you were not gradually running against a condition that would make it harder to sell bonds than heretofore.

Mr. LEFFINGWELL. On the contrary, those conditions do exist but there never has been a loan so well sold as the third liberty loan. No other has been so well distributed. On the whole, so far from having more difficulty, I anticipate less, assuming that the measures which are now under discussion should be carried out. In that connection, with this bond bill and general program under consideration, I want to refer to what the Secretary said in his letter of June 5 about normal income taxes.

Mr. TREADWAY. May I ask you one question before you leave the past issues? Have you any way of estimating the percentage of bonds of the third loan that are what you might call floating, sold back and forth on the exchange?

Mr. LEFFINGWELL. It is not possible to estimate that. I have made repeated efforts, and the only thing that we could say is that at one price there is a different amount available for sale on the exchange than at another price. If the price of the old bonds is 94, you will have, say, $500,000 of bonds offered. How many would be offered if the price moved up to 95, you can only tell by experience, and that will depend upon the condition of the market and the attractiveness of those bonds.

Mr. TREADWAY. Is it your idea that more and more are being withdrawn continually from general circulation and being put away by the individual owner?

Mr. LEFFINGWELL. I should feel that the distribution of the third loan was pretty nearly perfect. I doubt very much whether you will get, until peace comes, any better distribution of the third loan than we got at the beginning. As to the second loan, I think there is a steady putting of that away.

Mr. LONGWORTH. Do you think it will have a serious effect on your program if the next revenue bill does not raise as much as $8,000,000,000? In other words, if instead of raising 33 per cent of the next year's estimate by taxation, we should raise a little less than 30 per cent, would the effect be serious?

Mr. LEFFINGWELL. I think it would. I think $3\frac{1}{3}$ per cent is too much variation. My fear is not that we have overestimated, but that we have underestimated the expenditures for the next fiscal year, and the achievement of the last year has had so healthy and helpful an effect that it seems that we ought to make every conceivable effort to retain that relative position.

Mr. LONGWORTH. Suppose, for instance, Mr. Leffingwell—pardon the interruption—but suppose we should find that after proposing as high excess profits taxes and as high income taxes as we feel that the traffic can bear at this moment, which is our next move in the direction of high taxation, and we should find that we would have to resort

to consumption taxes on necessaries, which might be unpopular and bear hard on the poor people, wouldn't it be better to stop short slightly of $8,000,000,000 than to feel that we must necessarily raise $8,000,000,000 in addition to these loans at this time?

Mr. LEFFINGWELL. I think it would not be better. I think that $8,000,000,000 is the minimum.

Mr. LONGWORTH. You think that is the minimum?

Mr. LEFFINGWELL. I think it is. We have been very cautious in such calculations as we have made in the Treasury Building, and laid before the Secretary, and on which he has based his letter to Mr. Kitchin, and I feel that that is a conservative estimate of the requirements for next year. By conservative, I mean it is not an overestimate, and that the $8,000,000,000 figure is the minimum. I do not think that you will reach the conclusion that you can not safely levy that amount of taxes. Levying taxes is all relative to the available funds. Manufacturers are easily frightened, business men are esaily frightened, and if you follow such a general plan as the Secretary outlines in his letter I have no doubt that you can raise that amount of taxes without a quiver in the business community, and I ask you to remember what they said in their trepidation about this year's taxes as compared with the experience that we have actually had. You can not increase the Government's expenditures at the rate at which these expenditures have been and are being increased without setting money in circulation and creating a situation where you can safely raise taxes which seem stupendous to the business man whose mind does not rise above his past experience.

Mr. LONGWORTH. Leaving out the business man for the moment, don't you think that the increase of the normal tax of 4 per cent up to 15 per cent, or may be more, the effect that is going to have on the average income of the well-to-do man, say, the income from $10,000 to $30,000, is going to involve a good deal of, I won't say suffering, but a great change in the average way of living?

Mr. LEFFINGWELL. I think that change in the way of living is one of the vital necessities for winning the war, and saving our prosperity, and I think that all the people with whom I have talked, belonging to the class whose income runs from $10,000 to $100,000, think they have not been paying enough taxes. That has been my observation, my personal observation, and they have in England levied a 30 per cent normal tax.

Mr. LONGWORTH. That is the new tax?

Mr. LEFFINGWELL. Last year it was 25 per cent, and the tax that you speak of—15 per cent—seems to me to be a very modest amount.

Mr. STERLING. I do not know that I have got your ideas about these expenditures clear in my own mind. You estimated last year or the Secretary did, that the cost of the war would be about $20,000,000,000 to July this year.

Mr. LEFFINGWELL. No, sir; he transmitted the estimates of the departments, and we had not then any experience to go upon. That estimate was, as I recall it, simply what passed through his hands from the spending departments of the Government.

Mr. STERLING. That is what the total estimates amounted to, wasn't it, $19,000,000,000 or $20,000,000,000?

Mr. COOKSEY. They were the estimates of the various departments as to appropriations, Judge.

Mr. STERLING. Now, this $12,000,000,000 or $13,000,000,000 which we spent this year, that includes the loans to the allies?

Mr. LEFFINGWELL. Yes, sir.

Mr. STERLING. What was the estimate made by the Secretary of the Treasury then for the expenses of this year?

Mr. LEFFINGWELL. He made no estimate so far as I recall. He transmitted the figures which did contemplate total appropriations of $20,000,000,000. That was simply a compilation of the data furnished to him by the various departments.

Mr. LONGWORTH. That included authorizations?

Mr. LEFFINGWELL. Appropriations and authorizations, I think.

Mr. STERLING. We loaned the allies about $5,500,000,000 up to the coming month?

Mr. LEFFINGWELL. $5,594,000,000.

Mr. STERLING. Five billion and a half, so the actual cost to us of our part of the war is about $6,500,000,000, isn't it?

The CHAIRMAN. That is of this year's expenditures.

Mr. STERLING. Up to the 1st of July.

Mr. GARNER. That does not include a large amount of contracts that have been made and which will be payable later on.

The CHAIRMAN. The next fiscal year. We have two other matters. Is there any other gentlemen who wants to ask any questions?

Mr. FORDNEY. How many certificates of indebtedness are outstanding now?

Mr. LEFFINGWELL. There are roughly $388,000,000 of Treasury certificates maturing July 9, $400,000,000 maturing July 18, and we have sold of the issue dated June 25 to date about $500,000,000, I estimate. Those would be the certificates outstanding to date. I have among my memoranda a precise statement, which I will add to my statement, if I may.

Mr. LONGWORTH. That is $1,300,000,000.

Mr. LEFFINGWELL. Yes, roughly. I find that I have the statement showing the certificates outstanding to which I just referred and which is as follows:

JUNE 26, 1918.

Issues of certificates of indebtedness outstanding and not yet matured.

Date of issue.	Date of maturity.	Amount.
Apr. 10, 1918	July 9, 1918	$388,727,000
Apr. 22, 1918	July 18, 1918	401,049,000
June 25, 1918	Oct. 24, 1918 (estimated)	500,000,000
Total		$1,289,776,000

Mr. FORDNEY. Mr. Leffingwell, I understood you to say that the loans to our allies are falling off?

Mr. LEFFINGWELL. They showed a reduction during the winter, but they have been climbing back again lately. Of course one element in the reduction was the cessation of loans to Russia, and another has been our expenditures in France, which have produced millions of dollars in the United States available to the Government of France without the necessity of her borrowing here. How long that condition will continue it is very difficult to judge.

Mr. FORDNEY. Mr. Leffingwell, I do not agree with you and some other men as to the percentage of our expenditures that should be raised by taxation and the percentage raised by loans. We are loaning to our allies in this war about $6,000,000,000 a year. We expect them to pay interest on that borrowed money and the principal when due. I do not believe we ought to raise by taxation the money that we are loaning to our allies. I believe that we ought to borrow that. It is a loan to them, and they will turn it in to the Government and the Government loans it to their Government. The difference between our actual expenditures, our actual needs, and the $24,000,000,000 is more than 40 per cent of our own expenditures. It would be in round numbers $18,000,000,000; that is, provided we loan to the allies $6,000,000,000 during that time. No country in the world has ever raised that percentage. You and I can not settle it right here, Mr. Leffingwell, but I am going to express myself because you have done so on that point. I do not believe we ought to raise from the people that percentage of expenditure through direct taxes. It is too much to be exacted from the people when conditions are abnormal and the cost of living and everything else is excessive. Price-fixing is intended to keep prices down to the consumer. That is a good purpose, but it is going to lessen the profits of the people of the country, and the chances are, lessen the amount of money that the Government can collect from income, if it does have the desired effect of holding the prices down to the consumer. I believe $8,000,000,000 is more money than we ought to raise from the people the coming year, as Mr. Moore has said. I am going to do all I can to have this bill as near my view as possible. I am going to fight for anything to carry on this war successfully. I wish I could induce other men to see this question as I see it. I may be wrong, but I think I am right, and I think we are raising too much when we raise $8,000,000,000, because, as before stated, I do not believe we ought to raise one cent of taxation that we are loaning to our allies. That ought to be borrowed money.

I am afraid we are getting in deep water, but the question of whether the money that we have in the country is sufficient to permit us to raise $8,000,000,000 is one easily solved. For instance, we have about $6,000,000,000 of money in the country, if I am correct, from statistics. The circulation of that money depends upon how far it will go, and when it will pay to keep it going. There will be a great many debts. Suppose there were 20 men in the room and each owed $5 and there is only one $5 in the crowd. The man that has it pays it to the man next to him and he pays the man next to him, and when it has gone half way round half the indebtedness is wiped out, and when it gets all the way around and back to the original owner all the indebtedness is wiped out. That is the effect of keeping money going, and the $6,000,000,000 that we have in the country will pay many debts if we keep it going. It must go in time of war.

I am not worrying about getting the money for the next liberty loan. People are awakening to the fact that we are in the war. We are losing our boys, and it takes money to support them on the field of battle, as we should support them, and everybody that has money or property feels as you and I do about that: I am ready to go ahead with every dollar I have in the world and borrow money to

buy liberty bonds, and so does every man feel exactly as I do, and even if the small purchasers of bonds drop out, as Mr. Fairchild has said 40 per cent of his employees have done, other people will come forward and buy these bonds, and furnish all the money we want. We need not worry about it, but we ought to be careful about the amount of taxes that we are imposing at this time, for fear that you kill the goose that lays the golden egg and stop the profits of the country, because out of those the taxes must come. The greater the profits the greater the taxes.

The CHAIRMAN. Could you return at 2.30?

Mr. LEFFINGWELL. Yes, sir.

Interest-bearing debt.

Consols of 1930	$599,724,050
Loan of 1908–1918	63,945,460
Loan of 1925	118,489,900
Panamas of 1916–1936	48,954,180
Panamas of 1918–1938	25,947,400
Panamas of 1961	50,000,000
Conversion bonds	28,894,500
1-year Treasury notes	19,150,000
Postal savings bonds	11,060,700
Certificates of indebtedness	1,289,776,000
First liberty loan	[1] 1,986,791,434
Second liberty loan	[1] 3,807,846,915
Third liberty loan	[1] 3,234,327,221
War savings and thrift stamps (June 24)	289,250,653
Total	11,574,158,413

Mr. LEFFINGWELL. I submit copies of department circular No. 111, offering the third loan for subscription; of the Secretary's public announcement of the result of the loan; of two supplements to department circular No. 92, the first dealing with deposits of the proceeds of the third liberty loan and the second with deposits of income and excess-profits taxes; of department circular No. 114, dealing with conversions consequent upon the third liberty loan; and of the Secretary's public statements of April 25 and June 11, 1918, in relation to the payment of income and excess-profits taxes.

$3,000,000,000 UNITED STATES OF AMERICA 4¼ PER CENT GOLD BONDS OF 1928—THIRD LIBERTY LOAN.

Dated and bearing interest from May 9, 1918. Due September 15, 1928.

Interest payable September 15, 1918, and thereafter March 15 and September 15.

Authorized by an act of Congress approved September 24, 1917, as amended by an act of Congress approved April 4, 1918. Offered for subscription in department circular No. 111, of April, 1918, to be found on the following pages, to which reference is made for full information concerning the bonds and this offering, and from which the statements on this page are summarized and to which they are subject.

Denominations: Coupon and registered bonds, $50, $100. $500, $1,000, $5,000, $10,000; and registered bonds, $50,000 and $100,000.

Exempt as to principal and interest from all taxation by the United States, any State, or any of the possessions of the United States, or by any local taxing authority. except (*a*) estate or inheritance taxes, and (*b*) United States graduated additional income taxes (commonly known as surtaxes) and excess-profits and war-profits taxes, The interest on an amount of bonds and certificates authorized by said act approved September 24, 1917, or by said act as amended by said act approved April 4, 1918, the principal of which does not exceed in the aggregate $5,000, owned by any individual, partnership, association, or corporation, shall be exempt from the taxes provided for in clause (*b*) above.

[1] Payments received.

Nonconvertible and not subject to call for redemption before maturity.

Bonds receivable at par and accrued interest in payment of United States estate or inheritance taxes upon the estate of any person who shall have owned them continuously for at least six months last preceding his death.

Bond purchase fund: The Secretary of the Treasury is authorized, from time to time, until the expiration of one year after the termination of the war, to purchase bonds of this issue to an amount not exceeding, in the first year from the date of issue of such bonds, one-twentieth of the par amount of such bonds originally issued, nor, in any subsequent year, one-twentieth of the par amount of such bonds outstanding at the beginning of such subsequent year.

Applications must reach the Treasury Department, Washington, D. C., a Federal reserve bank, or a branch thereof named in said circular, or some incorporated bank or trust company within the United States (not including outlying territories and possessions) on or before the close of business May 4, 1918, the right being reserved by the Secretary of the Treasury to close the subscription at any earlier date. All applications for bonds in excess of $10,000 par amount will be received subject to allotment.

Terms of payment: 5 per cent with application on or before May 4, 1918; 20 per cent on May 28, 1918; 35 per cent on July 18, 1918; 40 per cent on August 15, 1918 (with accrued interest from May 9, 1918, on the three deferred installments). Payment in full of any subscription may, if the subscriber so elects, be made, without rebate of interest, with the application on or before May 4, 1918. Otherwise payment for the bonds subscribed for must be completed so as to reach a Federal reserve bank, or a branch thereof, on May 9, 1918, or, with accrued interest, on May 28, July 18, or August 15, 1918, previous installments having been duly paid.

Amount of issue: Subscriptions for $3,000,000,000 of the bonds are invited, the right being reserved to allot additional bonds up to the full amount of any oversubscription.

Delivery: Bonds as described in the circular will be delivered promptly after completion of payments therefor, but no such deliveries will be made prior to May 9, 1918, except to subscribe for coupon bonds not in excess of $10,000 par amount who make payment in full on or before May 4, 1918. The right is reserved in making deliveries before May 9 to deliver bonds of the largest denomination or denominations, not exceeding $1,000, contained in the respective amounts of bonds subscribed for.

Price, 100 per cent and accrued interest.

TREASURY DEPARTMENT,
Washington, April 6, 1918.

[Department Circular No. 111, of April, 1918, Loans and Currency.]

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, April 6, 1918.

The Secretary of the Treasury invites subscriptions, at par and accrued interest, from the people of the United States for $3,000,000,000 of United States of America $4\frac{1}{4}$ per cent gold bonds of 1928, of an issue authorized by an act of Congress approved September 24, 1917, as amended by an act of Congress approved April 4, 1918; the right being reserved to allot additional bonds up to the full amount of any oversubscription

DESCRIPTION OF BONDS.

Denominations.—Bearer bonds with interest coupons attached will be issued in denominations of $50, $100, $500, $1,000, $5,000, and $10,000. Bonds registered as to principal and interest will be issued in denominations of $50, $100, $500, $1,000, $5,000, $10,000, and $100,000. Provision will be made for the interchange of bonds of different denominations and of coupon and registered bonds and for the transfer of registered bonds, without charge by the United States, and under rules and regulations prescribed by the Secretary of the Treasury.

Rate of interest, date of bonds, and maturity.—The bonds will be dated May 9, 1918, and will bear interest from that date at the rate of $4\frac{1}{4}$ per cent per annum, payable on September 15, 1918, and thereafter semiannually on March 15 and September 15. The interest payable on September 15, 1918, will be for 129 days. The bonds will mature September 15, 1928. The principal and interest of the bonds are payable in United States gold coin of the present standard of value.

Tax exemption.—The bonds shall be exempt, both as to principal and interest, from all taxation now or hereafter imposed by the United States, any State, or any of the possession of the United States, or by any local taxing authority, except (*a*) estate or inheritance taxes and (*b*) graduated additional income taxes, commonly known as

surtaxes, and excess-profits and war-profits taxes, now or hereafter imposed by the United States, upon the income or profits of individuals, partnerships, associations, or corporations. The interest on an amount of bonds and certificates authorized by said act approved September 24, 1917, or by said act as amended by said act approved April 4, 1918, the principal of which does not exceeed in the aggregate $5,000, owned by any individual, partnership, association, or corporation, shall be exempt from the taxes provided for in clause (*b*) above.

Nonconvertible and not subject to call for redemption before maturity.—The bonds of this issue are not entitled to any privilege of conversion into bonds bearing a higher rate of interest. The bonds are not subject to call for redemption before maturity.

Receivable for Federal inheritance taxes.—Any of the bonds which have been owned by any person continuously for at least six months prior to the date of his death, and which upon such date constitute part of his estate, shall, under rules and regulations prescribed by the Secretary of the Treasury, be receivable by the United States at par and accrued interest in payment of any estate or inheritance taxes imposed by the United States, under or by virtue of any present or future law, upon such estate or the inheritance thereof.

Bond purchase fund.—The Secretary of the Treasury is authorized, from time to time, until the expiration of one year after the termination of the war, to purchase bonds of this issue at such prices and upon such terms and conditions as he may prescribe. The par amount of bonds of this issue which may be purchased in the 12 months' period beginning on the date of issue shall not exceed one-twentieth of the par amount of such bonds originally issued, and in each 12 months' period thereafter, shall not exceed one-twentieth of the amount of the bonds of such issue outstanding at the beginning of such 12 months' period. The average cost of the bonds of this issue purchased in any such 12 months' period shall not exceed par and accrued interest.

APPLICATIONS.

Official agencies.—The agencies designated by the Secretary of the Treasury to receive applications for the bonds now offered are the Treasury Department in Washington, D. C., and the Federal reserve banks in Boston, New York, Philadelphia, Cleveland (with branches at Cincinnati and Pittsburgh), Richmond (with branch at Baltimore), Atlanta (with branch at New Orleans), Chicago (with branch at Detroit), St. Louis, Minneapolis, Kansas City (with branches at Omaha and Denver), Dallas, and San Francisco (with branches at Portland, Seattle, and Spokane). The Federal reserve banks have been designated as fiscal agents of the United States, to collate applications, to receive payments, and to make delivery of the bonds allotted. Subscribers may send their applications, accompanied by the required payment, direct to any of said banks or branches.

Subscribers' agencies.—Large numbers of National banks, State banks, and trust companies, investment bankers, express companies, newspapers, department stores, and other corporations, firms, and organizations have patriotically offered to receive and transmit applications for the bonds without expense to the applicants. The Secretary of the Treasury appreciates the value of these offers, and will have application blanks widely distributed, through the Federal reserve banks, to these institutions throughout the country, as well as to the post offices. No commissions will be paid upon subscriptions, and those who receive and transmit applications are therefore rendering the service as a patriotic duty.

Form of application.—Applications must be in the form prescribed by the Secretary of the Treasury and be accompanied by payment of 5 per cent of the amount of bonds applied for. Applications must be for bonds to an amount of $50 or some multiple thereof. At the option of the subscriber payment in full may be made with the application without rebate of interest, in which case bonds as described herein, dated and bearing interest from May 9, 1918, will be delivered to the subscriber as soon as possible after the application, accompanied by such payment in full, is received, except that no deliveries of bonds upon subscriptions in excess of $10,000 will be made prior to May 9, 1918. If registered bonds are desired and payment in full is made with the application, the subscriber should fill out the required form appearing on the application blank, in which case registered bonds, dated and bearing interest from May 9, 1918, will be mailed as promptly as possible to the address given. All applications for bonds in excess of $10,000 par amount will be received subject to allotment.

Time of closing application books.—Applications accompanied by payment as aforesaid must reach the Treasury Department or a Federal reserve bank, or one of said branches, or some incorporated bank or trust company within the United States (not including outlying territories and possessions), not later than the close of business on

May 4, 1918, the right being reserved by the Secretary of the Treasury to close the subscription on any earlier date, to reject any applications, and to allot less than the amount of bonds applied for. Applications received by any incorporated bank or trust company on or before May 4, 1918, must, by such bank or trust company, be transmitted to, or covered by its own subscription to, the Federal reserve bank of the district in which it is located, reaching such Federal reserve bank not later than the close of business on May 9, 1918, accompanied by payment as aforesaid.

PAYMENTS.

Payment for bonds allotted, in addition to the first installment of 5 per cent on application on or before May 4, 1918, will be required to be made so as to reach a Federal reserve bank or a branch thereof, as follows: Twenty per cent on May 28, 1918; 35 per cent on July 18, 1918; 40 per cent on August 15, 1918, with accrued interest from May 9, 1918, on the three deferred installments. Receipt of installment payments made to official agencies prior to payment in full will be acknowledged by the several Federal reserve banks. Payments must be made when and as required under penalty of forfeiture of any and all installments previously paid and of all right and interest in the bonds allotted. Payment for bonds allotted in any amount may be completed without previous notice, but only so as to reach a Federal reserve bank, or a branch thereof, on May 9, 1918, or, with accrued interest from May 9, 1918 (the previous installment or installments having been duly paid), on May 28, July 18, or August 15, 1918.

Payment in United States Treasury certificates of indebtedness.—Payment of the first installment of 5 per cent. or payment in full with application on or before May 4, 1918, or completion of payment on May 9, 1918, may be made in United States Treasury certificates of indebtedness of any maturity except those maturing April 22, 1918, and June 25, 1918. Payment on other installment dates may be made in United States Treasury certificates of indebtedness of the issues, if any, maturing on said installment dates, respectively. Such certificates will be received at their face value, and the accrued interest thereon, which, in case of payment of the first installment or payment in full on or before May 9, will be computed to May 9, will be remitted by check to the subscriber. Treasury certificates thus presented must not be of a larger face value than the amount then to be paid on the subscription; and subscribers should obtain certificates in appropriate denominations in advance. Incorporated banks and trust companies in the United States, duly qualified as special depositaries of public moneys, may make payment by credit for bonds subscribed for for themselves and their customers up to an amount for which such depositaries, respectively, shall have been qualified in excess of then existing deposits, when so notified by Federal reserve banks, but only to the extent that they can not make such payment in such Treasury certificates of indebtedness.

How to make payments.—It is strongly recommended that subscribers avail themselves of the assistance of their own banks and trust companies, in which case they will, of course, make payment through such institutions. In cases where they do not do so, subscribers should make payment, either to the Treasury Department in Washington or to one of the Federal reserve banks in cash, or by bank draft, certified check, post-office money order, or express company money order, made payable to the order of the Secretary of the Treasury if the application is filed with the Treasury Department in Washington (thus: "The Secretary of the Treasury, third liberty loan account"), or, if the application is filed elsewhere, made payable to the order of the Federal reserve bank of the district in which the application is filed (thus: "Federal Reserve Bank of ———, third liberty loan account").

DELIVERY.

Bonds dated May 9, 1918, and bearing interest from that date, will be delivered after due completion of payment, by the several Federal reserve banks, as fiscal agents of the United States as far as practicable in accordance with written instructions given by the subscribers, and, within the United States, its territories and insular possessions, at the expense of the United States. Bonds as described in the circular will be delivered promptly after completion of payments therefor, but no such deliveries will be made prior to May 9, 1918, except to subscribers for not in excess of $10,000 par amount of coupon bonds who make payment in full on or before May 4, 1918. In making deliveries before May 9, the right is reserved to deliver bonds of the largest denomination or denominations, not exceeding $1,000, contained in the respective amounts of bonds subscribed for.

INTEREST.

As the bonds are dated May 9, 1918, no accrued interest will be due on subscriptions for bonds paid for in full on or before that date. No rebate of interest will be allowed, either on account of full payment in advance of May 9, 1918, or on account of the first installment of 5 per cent. Upon completion of payment for the bonds on May 28, July 18, or August 15, 1918, the subscriber will be required to pay accrued interest from May 9, 1918, on the deferred installment or installments at the rate of 4¼ per cent per annum.

FURTHER DETAILS.

The bonds will be receivable as security for deposits of public money, but will not bear the circulation privilege.

Coupon bonds will have four interest coupons attached, covering interest payments up to and including March 15, 1920. On or after that date holders of these bonds should surrender the same and obtain a new bond or bonds having coupons attached thereto covering semiannual payments from September 15, 1920, to September 15, 1928, both inclusive. This is to avoid the inconvenience, both to the United States and to subscribers, incident to the delivery of interim receipts, and to allow sufficient time for the engraving and printing of bonds with the full number of coupons attached.

The Secretary of the Treasury may make special arrangements for subscriptions for the bonds at not less than par from persons in the military or naval forces of the United States.

Further details may be announced by the Secretary of the Treasury from time to time, information as to which as well as forms for application may be obtained from the Treasury Department or through any Federal reserve bank.

W. G. McAdoo,
Secretary of the Treasury.

Statement by Secretary McAdoo.

In response to the Treasury's invitation for subscriptions to $3,000,000,000 United States of America 4¼ per cent gold bonds of 1928, of the third liberty loan, there have been received subscriprions to the amount of $4,170,019,650, from about 17,000,000 subscribers. This is the most successful loan the United States has offered, both in number of subscribers and in the amount realized. Every subscription was made with full knowledge that allotment in full was to be expected, unlike the first loan, when allotments were limited to $2,000,000,000, and the second loan, when allotments were limited to one-half the oversubscription. This great result was achieved, notwithstanding the fact that the country has been called upon to pay, since the second liberty loan and to and including the month of June, income and excess-profits taxes to the amount of approximately $3,000,000,000, which will make a total amount turned into the Treasury of the United States from such taxes and the third liberty loan of about $7,000,000,000.

In the first campaign, which started just one year ago, bonds were sold to approximately 4,500,000 people, and the country was amazed at this wonderful evidence of public interest. In October about 9,500,000 people bought liberty bonds and now, with an even more effective organization and an intense spirit of patriotism throughout the country, approximately 17,000,000 people purchased bonds of the third liberty loan. This equals approximately one-sixth of our total population. The report by districts, arranged in order of their percentage of oversubscription, is as follows:

District.	Quota.	Subscriptions.	Percentage of quota.
			Per cent.
Minneapolis	$105,000,000	$180,826,350	172
Kansas City	130,000,000	202,301,050	156
St. Louis	130,000,000	199,085,900	153
Atlanta	90,000,000	136,653,350	151
Philadelphia	250,000,000	361,963,500	144
Dallas	80,000,000	115,395,200	144
Chicago	425,000,000	608,878,600	143
Richmond	130,000,000	185,966,950	143
Boston	250,000,000	354,537,250	142
San Francisco	210,000,000	286,577,450	136
Cleveland	300,000,000	404,988,200	135
New York	900,000,000	1,114,930,700	124
United States Treasury	....	17,915,150	....
Total	3,000,000,000	4,170,019,650	....

The foregoing figures are subject to slight modifications upon receipt of final audited figures from the several districts. Any such adjustment will not materially affect the total.

I congratulate the country on this wonderful result which is irrefutable evidence of the strength, patriotism, and determination of the American people.

[Supplement to Department Circular No. 92, 1918, Division of Public Moneys.]

SPECIAL DEPOSITS OF PUBLIC MONEYS UNDER THE ACT OF CONGRESS APPROVED SEPTEMBER 24, 1917, AS AMENDED BY THE ACT OF CONGRESS APPROVED APRIL 4, 1918.

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, April 10, 1918.

To Federal reserve banks and other banks and trust companies incorporated under the laws of the United States or of any State:

Department Circular No. 92, dated October 6, 1917, hereto attacked, in relation to special deposits of Government funds in connection with subscriptions for bonds and certificates of the United States issued under the act of Congress approved September 24, 1917, is hereby amended and supplemented as follows:

The provisions of said circular are extended, subject to the provisions hereof, to deposits of the proceeds of bonds of the third liberty loan and of cerrficates of indebtedness of the United States issued under the act of Congress approved September 24, 1917, as amended by the act of Congress approved April 4, 1918. Applications hereafter made for such deposits should be, and all applications for such deposits made on and after April 20, 1918, must be, in Form H2, hereto attached, and accompanied by a certifie copy of resolutions duly adopted by the board of directors of the applicant in Form J2, hereto attached.

Depositaries already qualified to a sufficient amount pursuant to Department Circular No. 92 will not be required to file new applications or resolutions in connection with deposits of the proceeds of bonds of the third liberty loan and of certificates of indebtedness of the United States issued under the act of Congress approved September 24, 1917, as amended by the act approved April 4, 1918, but will, by the acceptance of such deposits, be conclusively presumed to have assented to all the terms and provisions hereof.

Qualified depositaries will be permitted to make payment by credit of amounts due and payable on subscriptions, made by or through them, for bonds of the third liberty loan, pursuant to Department Circular No. 111, of April, 1918, up to the amount for which each shall be qualified in excess of existing deposits. In order, however, to prevent unnecessary dislocation of funds they should to the extent that they hold Treasury certificates of indebtedness maturing on the date the payment on bond subscriptions is due at Federal reserve banks, make payment in such Treasury certificates of indebtedness instead of by credit. This does not extend to payment for bonds for advance delivery.

Qualified depositaries will be permitted to make payment by credit, up to the amount for which each shall be qualified in excess of existing deposits, for bonds of the third liberty loan applied for by them on Form L&C8, for advance delivery, to be sold in lots of $10,000 or less to any one subscriber.

The certificate of advice to be issued and forwarded to Federal reserve banks, as provided in Department Circular No. 92 under the caption "How deposits are to be made." must be substantially in Form K hereto attached.

Any qualified depositary may make payment by credit of amounts which its correspondent banks or trust companies would otherwise pay by check upon such qualified depositary. This may be done whether such qualified depositary and correspondent bank or trust company are in the same district or in different districts. In cases where they are in different districts, the Federal reserve bank of the district where the subscription is made must be notified by telegraph by the Federal reserve bank of the district where payment is made, and the Federal reserve bank of the district where payment is made must credit the war-loan deposit account and charge such depositary with the amount so paid but indicating that the payment is made on account of a subscription in the other district. Banks and trust companies desiring to avail themselves of this method of payment must give ample notice to the depositary which they expect to call upon to make payment in order that such depositary may be prepared to make such payment, and to avoid the possibility of payment not reaching

the Federal reserve bank on time. The object of this procedure is to avoid unnecessary dislocation of funds and to reduce the float as far as practicable.

The unexpended cash proceeds, if any, of the sale of any issue of bonds or certificates will be redeposited among the qualified depositaries making application to receive such redeposits as nearly as may be in proportion to the subscriptions made by or through them.

Each depositary will be required to pay interest at the rate of 2 per cent per annum on daily balances. Interest payments must be made when deposits are finally withdrawn, but not less frequently than quarterly.

The provisions of department circular No. 92 not inconsistent herewith remain in full force and effect.

W. G. MCADOO,
Secretary of the Treasury.

[Form H2—Public moneys.]

APPLICATION FOR DEPOSITS.

....

To the Federal Reserve Bank of ......, fiscal agent of the United States:

The undersigned bank or trust company, in accordance with the provisions of Treasury Department Circular No. 92, dated October 6, 1917, as amended and supplemented April 10, 1918, and pursuant to due action of its board of directors, hereby makes application for the deposit of public moneys with it from time to time under the act of Congress approved September 24, 1917, as amended by the act approved April 4, 1918, the aggregate amount of such deposits not to exceed at any one time $......; and assigns and agrees to pledge, from time to time, to and with the Federal Reserve Bank of ......, as fiscal agent of the United States, as collateral security for such deposits as may be made from time to time pursuant to this application, securities of the character and amount required by said circular.

..............................,
By...................,
President (Vice President).
Street....................
City or town................
State....................

[Form J2—Public moneys.]

RESOLUTIONS AUTHORIZING APPLICATION FOR DEPOSITS.

I hereby certify that the following resolutions were duly adopted at a meeting of the board of directors of the below-named bank (trust company), which meeting was duly called and duly held on the ...... day of ......, 191.., a quorum being present, and that the said resolutions were spread upon the minutes of said meeting:

Resolved, That, in accordance with the provisions of Treasury Department Circular No. 92, dated October 6, 1917, as amended and supplemented April 10, 1918, this bank (trust company) makes application for the deposit of public moneys with it from time to time under the act of Congress approved September 24, 1917, as amended by the act approved April 4, 1918, the aggregate amount of such deposits not to exceed at any one time $......; and assign and agree to pledge from time to time to and with the Federal Reserve Bank of ......, as fiscal agent of the United States, as collateral security for such deposits as may be made from time to time pursuant to such application, securities of the character and amount required by said circular; and

Resolved, That the president, or any vice president, or cashier, or secretary, of the undersigned bank (trust company) is hereby authorized to make application, assignment, and agreement as aforesaid and from time to time to deliver to and pledge with said Federal Reserve Bank, or any custodian or custodians appointed by it, securities of the undersigned bank (trust company) of a character and amount at least sufficient to secure such deposits according to the terms of said Treasury Department circular, and from time to time to withdraw securities and to substitute other securities and to pledge and deposit additional securities.

In witness whereof I have hereunto signed my name and affixed the seal of the ...... of ......

..............................,
Cashier (Secretary).

[Form K—Public moneys.]

CERTIFICATE OF ADVICE.

...... (Title of bank or trust company.) ...... (Location.)

....................191..

I hereby certify that there has been deposited this day with the above bank (trust company), to the credit of the Federal reserve bank of ......, as fiscal agent of the United States, war-loan deposit account, to be held subject to withdrawal on demand, the sum of ...... dollars, consisting of payment for—

Bonds	principal	$..........
	accrued interest	....
Certificates of indebtedness	principal	....
	accrued interest	....
Total		....

....
Cashier or Vice President.

(The depositary will forward this to the Federal reserve banks of ......)

[Department Circular No. 92, 1917 (Liberty Loan Circular No. 7), Division of Public Moneys.]

SPECIAL DEPOSITS OF GOVERNMENT FUNDS IN CONNECTION WITH SUBSCRIPTIONS FOR BONDS AND CERTIFICATES OF THE UNITED STATES ISSUED UNDER THE ACT OF CONGRESS APPROVED SEPTEMBER 24, 1917.

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, October 6, 1917.

To Federal reserve banks and other banks and trust companies incorporated under the laws of the United States or of any State:

Any incorporated bank or trust company in the United States desiring to participate in deposits of the proceeds of bonds of the second liberty loan and of certificates of indebtedness of the United States issued under the act of Congress approved September 24, 1917, should make application to the Federal reserve bank of its district, on Form H, hereto attached, and accompany such application by a certified copy of resolutions duly adopted by its board of directors, in Form J, hereto attached. In fixing the minimum amount of deposits for which it will apply, the applicant bank or trust company should be guided by the amount of the payments which it expects to have to make, for itself and its customers, on account of allotments of such bonds and certificates, and, as well, by any statutory limitations upon the amount of deposits which the applicant bank or trust company may receive from any one depositor. Any application may be rejected or the applicant may be designated for a smaller maximum amount than that applied for. After receiving the recommendation of the Federal reserve bank, the Secretary of the Treasury will designate approved depositaries.

COLLATERAL SECURITY.

Designated depositaries will be required, before receiving deposits, to qualify by pledging, as collateral security for such deposits, securities of the following classes, to an amount, taken at the rates below provided, at least equal to such deposits:

(*a*) Bonds and certificates of indebtedness of the United States Government, of any issue, including bonds of the liberty loans and interim certificates or receipts for payments therefor; all at par.

(*b*) Bonds issued under the United States farm loan act and bonds of the Philippine Islands, Porto Rico, and the District of Columbia; all at par.

(*c*) The $3\frac{1}{2}$ per cent bonds of the Territory of Hawaii at 90 per cent of market value; and other bonds of said Territory at market value.

(*d*) Bonds of any State of the United States, at market value; and approved notes, certificates of indebtedness and warrants issued by any State of the United States, at 90 per cent of market value.

(*e*) Approved bonds of any county, city, or political subdivision in the United States; and approved notes, certificates of indebtedness and warrants issued by any county or city in the United States which are direct obligations of the county or city as a whole; all at 90 per cent of market value; but not including any such bonds which, at the date of this circular, are at a market price to yield more than $5\frac{1}{2}$ per cent per annum, nor any such other obligations which at the date of this circular are at a market price to yield more than 6 per cent per annum, if held to maturity, according to standard tables of bond values.

(*f*) Approved dollar bonds and obligations of foreign Governments (and of the dependencies thereof) engaged in war against Germany, issued since July 30, 1914, at 90 per cent of the market value thereof in the United States, and approved dollar bonds and obligations of any province or city within the territory of any such foreign Government or dependency, issued since July 30, 1914, at 75 per cent of the market value thereof in the United States.

(*g*) Approved bonds, listed on some recognized stock exchange and notes, of domestic railroad companies within the United States; approved equipment trust obligations of such domestic railroad companies; and approved bonds and notes of domestic electric railway and traction companies, telephone and telegraph companies, electric light, power, and gas companies, and industrial companies, secured (directly or by the pledge of mortgage bonds) by mortgage upon physical properties in the United States and listed on some recognized stock exchange; all at 75 per cent of market value, but not including any such bonds or obligations which, at the date of this circular, are at a market price to yield more than $6\frac{1}{2}$ per cent per annum, nor any such notes which at the date of this circular are at a market price to yield more than $7\frac{1}{2}$ per cent per annum, if held to maturity, according to standard tables of bond values.

(*h*) Commercial paper and bankers' acceptances, having maturity at the time of pledge of not to exceed six months, exclusive of days of grace, and which are otherwise eligible for rediscount or purchase by Federal reserve banks; and which have been approved by the Federal reserve bank of the district in which the depositary is located; at 90 per cent of face value. All such commercial paper and acceptances must bear the indorsement of the depositary bank or trust company.

No security shall be valued at more than par. No State or municipal bond, obligation, or evidence of indebtedness shall be accepted if the State or municipality has made default in payment of principal or interest during the past 10 years.

The right is reserved to call for additional collateral security at any time.

The approval and valuation of securities is committed to the several Federal reserve banks, acting under the direction of the Secretary of the Treasury. The withdrawal of securities, the pledge of additional securities, and the substitution of securities shall be made from time to time as required or permitted by the Federal reserve banks acting under like direction.

SECURITIES COMMITTEES.

Each Federal reserve bank is authorized to designate a committee, or committees, to be composed of experienced bankers, in such city or cities in its district as may be deemed necessary, to be known as the securities committee. Each securities committee shall consist of not more than three nor less than two members, who shall serve without compensation. It shall be the duty of such securities committee to examine the lists of securities tendered as collateral security for deposits and to transmit them promptly to the Federal reserve bank of the district with the committee's recommendation.

CUSTODY OF SECURITIES.

All securities accepted as collateral security for deposits hereunder must be deposited with the Federal reserve bank of the district in which the depositary is located or, by the direction and subject to the order of such Federal reserve bank, with a custodian or custodians designated by it, and under rules and regulations prescribed by it.

HOW DEPOSITS ARE TO BE MADE.

Each qualified depositary will be required to open and maintain for the account of the Federal reserve bank of its district, as fiscal agent of the United States, a separate account for deposits to be made hereunder, to be known as the war-loan deposit account.

Qualified depositaries will be permitted to make payment by credit when due of amounts payable on subscriptions made by or through them for Treasury certificates of indebtedness and for liberty bonds. In order to make payment by credit the depositary must notify the Federal reserve bank of the district by letter or telegram to reach it on or before the date when such payment is due, and must on said date issue a certificate of advice to such Federal reserve bank stating that a sum specified (in

addition to all other amounts standing to the credit of said fiscal agent with such depositary) has been deposited with such depositary for the account of such Federal reserve bank, as fiscal agent of the United States, in the war-loan deposit account.

The unexpended cash proceeds, if any, of the sale of any issue of certificates or bonds will be deposited among the qualified depositaries as nearly as may be in proportion to the subscriptions made by and through them for such issue.

All deposits and withdrawals will be made by the Federal reserve banks by direction of the Secretary of the Treasury.

The amount deposited with any depositary shall not in the aggregate exceed at any one time (*a*) the maximum amount for which it shall have been designated as a depositary, nor (*b*) the aggregate amount of the collateral security pledged by it taken at the rates hereinbefore provided.

WITHDRAWAL OF DEPOSITS.

All deposits will be payable on demand without previous notice.

INTEREST ON DEPOSITS.

Each depositary will be required to pay interest at the rate of 2 per cent per annum on the average daily balance maintained during the period of the deposit. Interest payments must be made when deposits are finally withdrawn, but not less frequently than quarterly.

W. G. McAdoo,
Secretary of the Treasury.

[Second Supplement to Department Circular No. 92, 1918, Division of Public Moneys.]

Special Deposits of Public Moneys Under the Act of Congress Approved September 24, 1917, as Amended by the Act of Congress Approved April 4, 1918.

Treasury Department,
Office of the Secretary,
Washington, May 29, 1918.

To Federal reserve banks and other banks and trust companies incorporated under the laws of the United States or of any State:

Department Circular No. 92, dated October 6, 1917, and the supplement thereto, dated April 10, 1918, in relation to special deposits of Government funds in connection with subscriptions for bonds and certificates of indebtedness of the United States issued under the act of Congress, approved September 24, 1917, are hereby further supplemented as follows:

The provisions of the said circular and supplement are extended, subject to the provisions hereof, to deposits of moneys, arising from the payment of income and excess-profits taxes, made under the act of Congress approved September 24, 1917, as amended by the act of Congress approved April 4, 1918. Applications hereafter made for deposits of public moneys under said acts should be, and all applications for such deposits made on and after June 5, 1918, must be, in Form H3 hereto attached, and be accompanied by a certified copy of resulutions duly adopted by the board of directors of the applicant in Form J3 hereto attached.

Depositaries already qualified to a sufficient amount pursuant to Department Circular No. 92, or pursuant to said circular as amended and supplemented under date of April 10, 1918, will not be required to file anew formal applications or resolutions in connection with deposits of moneys arising from the payment of income and excess-profits taxes, but if they desire to receive deposits hereunder must so notify the Federal reserve bank of the district in which they are located by letter or telegram; and they will thereby and by the acceptance of such deposits, be conclusively presumed to have assented to all the terms and provisions hereof. The words "qualified depositaries" in this circular refer exclusively to depositaries qualified under Department Circular No. 92 and supplements thereto.

Collateral security pledged or to be pledged by qualified depositaries will be conclusively deemed to be pledged as collateral security for deposits of public moneys made under Department Circular No. 92 and supplements thereto, whether arising from the sale of bonds or certificates of indebtedness of the United States or arising from the payment of income and excess-profits taxes.

Payment of income and excess-profits taxes can not be made by credit.

It is intended, out of any unexpended cash proceeds arising from the payment of income and excess-profits taxes, to make deposits, through the Federal reserve banks, under direction of the Secretary of the Treasury, with qualified depositaries throughout the United States, as nearly as may be proportionately, having regard to the following three determining factors: (1) The amount of checks, received by collectors of internal revenue on and after June 10, 1918, and until further notice, drawn upon and paid by such depositaries, resepctively, in payment of income and excess-profits taxes; (2) the amount of Treasury certificates of indebtedness of all issues maturing June 25, 1918, sold to and through such depositaries, respectively; and (3) the amount for which such depositaries, respectively, shall be qualified in excess of existing deposits. It is the intention that such deposits shall, as nearly as may be, be made simultaneously with the payment of checks drawn upon such depositaries, respectively, in payment of such taxes. Appropriate instructions will be given to collectors of internal revenue and to Federal reserve banks.

All deposits will be subject to withdrawal on demand and will bear interest at the rate of 2 per cent per annum, as provided in the above-mentioned circular and supplement. Deposits made hereunder shall be credited to the war-loan deposit account.

A principal object of the issue of the United States Treasury certificates of indebtedness maturing June 25, 1918, was to prevent unnecessary dislocation of funds, and this object would be defeated if such certificates held by taxpayers were not turned in in payment of their taxes but were either sold or hypothecated by the taxpayers and in consequence were presented for payment in cash. In view of the fact that the aggregate amount of these certificates now issued exceeds $1,500,000,000 this is important, and banks and trust companies are required to cooperate by advising their customers to turn in certificates, to the extent that they have taxes to pay, in payment of such taxes. No deposit of moneys arising from the payment of income and excess-profits taxes will be made with any depositary which disregards this requirement.

W. G. McAdoo,
Secretary of the Treasury.

[Form H3—Public moneys.]

APPLICATION FOR DEPOSITS.

....

To the Federal Reserve Bank of ...., fiscal agent of the United States:

The undersigned bank or trust company, in accordance with the provisions of Treasury Department Circular No. 92, dated October 6, 1917, as amended and supplemented April 10, 1918, and May 29, 1918, and pursuant to due action of its board of directors, hereby makes application for the deposit of public moneys with it from time to time under the act of Congress approved September 24, 1917, as amended by the act approved April 4, 1918, the aggregate amount of such deposits not to exceed at any one time $......; and assigns and agrees to pledge, from time to time, to and with the Federal Reserve Bank of......, as fiscal agent of the United States, as collateral security for such deposits as may be made from time to time pursuant to this application, securities of the character and amount required by said circular.

................................,
By ....
President (Vice President).

Street ....
City or town ....
State ....

[Form J3—Public moneys.]

RESOLUTIONS AUTHORIZING APPLICATION FOR DEPOSITS.

I hereby certify that the following resolutions were duly adopted at a meeting of the board of directors of the below-named bank (trust company), which meeting was duly called and duly held on the ...... day of ......, 191.., a quorum being present, and that the said resolutions were spread upon the minutes of said meeting:

Resolved, That in accordance with the provisions of Treasury Department Circular No. 92, dated October 6, 1917, as amended and supplemented April 10, 1918, and

May 29, 1918, this bank (trust company) makes application for the deposit of public moneys with it from time to time under the act of Congress approved September 24, 1917, as amended by the act approved April 4, 1918, the aggregate amount of such deposits not to exceed at any one time $......; and assign and agree to pledge from time to time to and with the Federal reserve bank of ......, as fiscal agent of the United States, as collateral security for such deposits as may be made from time to time pursuant to such application, securities of the character and amount required by said circular; and

Resolved, That the president, or any vice president, or cashier, or secretary, of the undersigned bank (trust company) is hereby authorized to make application, assignment, and agreement as aforesaid and from time to time to deliver to and pledge with said Federal reserve bank, or any custodian or custodians appointed by it, securities of the undersigned bank (trust company) of a character and amount at least sufficient to secure such deposits according to the terms of said Treasury Department circular as amended and supplemented as aforesaid, and from time to time to withdraw securities and to substitute other securities and to pledge and deposit additional securities.

In witness whereof I have hereunto signed my name and affixed the seal of the ...... of ....

....
Cashier (Secretary.)

[Department Circular No. 114, 1918, Loans and Currency.]

CONVERSION OF UNITED STATES BONDS OF THE FIRST LIBERTY LOAN, OF THE FIRST LIBERTY LOAN CONVERTED, AND OF THE SECOND LIBERTY LOAN.

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, May 9, 1918.

To holders of 3½ per cent gold bonds of 1932–1947 of the first liberty loan; 4 per cent convertible gold bonds of 1932–1947 of the first liberty loan converted; and 4 per cent convertible gold bonds of 1927–1942 of the second liberty loan:

I. PRESENT CONVERSION PRIVLIEGE.

In consequence of the issue this day of a series of United States 4¼ per cent gold bonds of 1928 of the third liberty loan, holders of the above-mentioned bonds will, in accordance with the provisions of this circular, be entitled to convert all or any part of their bonds into an equal face amount of bonds bearing interest at 4¼ per cent per annum, the terms of which will be identical with those of the bonds of the third liberty loan, except that such bonds will have the same dates for the payment of interest, the same dates of maturity of principal, and the same terms of redemption as the bonds upon the conversion of which they are respectively issued.

The bonds to be issued upon conversions of (a) 3½ per cent gold bonds of 1932–1947 of the first liberty loan, and (b) 4 per cent convertible gold bonds of 1932–1947 of the first liberty loan converted, are designated 4¼ per cent gold bonds of 1932–1947 of the first liberty loan converted, and the bonds to be issued upon conversions of 4 per cent convertible gold bonds of 1927–1942 of the second liberty loan are designated 4¼ per cent gold bonds of 1927–1942 of the second liberty loan converted. Such bonds to be issued upon such conversions are hereinafter more particularly described.

II. DURATION OF PRESENT CONVERSION PRIVILEGE.

The conversion privilege thus arising upon the issue of bonds of the third liberty loan must be exercised, if at all, within the period of six months beginning May 9, 1918, the date of issue of such bonds, and ending November 9, 1918, both dates inclusive. It will not be practicable to make deliveries prior to July 1, 1918, of 4¼ per cent bonds of the first liberty loan converted or of 4¼ per cent bonds of the second liberty loan converted, and, as under the act approved April 4, 1918, holders of 4 per cent bonds of the first liberty loan converted and of 4 per cent bonds of the second liberty loan, presenting their bonds for conversion after July 1, but not after November 9, 1918, will be entitled to the benefit of the increased interest rate from June 15 and May 15, respectively, without adjustment of interest, it is hoped that holders of such bonds will not present their bonds for conversion until after July 1, 1918. In the case, however, of holders of such bonds who prefer to present their

bonds for conversion on or before July 1, 1918, an adjustment of interest will be made which, in the case of bonds of the first liberty loan converted, will, if such bonds are presented for conversion before June 15, 1918, require payment to the bondholder, and, if such bonds are presented for conversion after June 15, 1918, but not after July 1, 1918, will require payment to the United States, and, in the case of bonds of the second liberty loan, will, if such bonds are presented for conversion before May 15, 1918, require payment to the bondholder, and, if such bonds are presented for conversion after May 15, 1918, but not after July 1, 1918, will require payment to the United States.

If holders of 4 per cent bonds of the first liberty loan converted and holders of 4 per cent bonds of the second liberty loan will postpone presenting their bonds for conversion until after July 1, 1918, when the bulk of the work in connection with the third liberty loan will be completed, the burden imposed upon the Treasury Department and upon the Federal reserve banks in connection with the conversion will be greatly reduced.

III. GENERAL PROVISIONS GOVERNING CONVERSIONS.

Conversions in the exercise of the present conversion privilege may be effected by presentation and surrender of 3½ per cent bonds of the first liberty loan, 4 per cent bonds of the first liberty loan converted, and 4 per cent bonds of the second liberty loan, to the respective Federal reserve banks in Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco, or to the Secretary of the Treasury, Division of Loans and Currency, Washington.

Such bonds so presented and surrendered for conversion must be accompanied by "Request for conversion," in the form prescribed by the Secretary of the Treasury (Form L & C 25, printed at page 9 of this circular, copies of which may be obtained from any Federal reserve bank or from the Secretary of the Treasury), signed with the respective autograph signatures of the holders of the bonds presented for conversion.

Registered bonds presented for conversion must be duly assigned to "The Secretary of the Treasury for conversion" on the form appearing on the backs of registered bonds; such assignments, however, need not be witnessed. Upon conversion of such registered bonds registered bonds only will be delivered, inscribed in the respective names of the registered owners of the bonds surrendered for conversion. As the transfer books for registered bonds of the second liberty loan will be closed from October 16 to November 15, 1918, both dates inclusive, registered owners of such bonds surrendered for conversion after October 15, 1918, but not after November 9, 1918, will on November 15, 1918, receive check for interest at 4 per cent per annum for the six months' period ending November 15, 1918, upon the bonds surrendered for conversion, and, as soon thereafter as practicable, they will also receive check for the additional interest, at the rate of one-fourth per cent per annum, to which they are respectively entitled for such period; such checks together aggregating full interest from May 15 to November 15, 1918, at the rate of 4¼ per cent per annum upon the bonds of the second liberty loan converted to be delivered upon such conversions. Upon conversion of registered bonds neither change of ownership nor delivery of coupon bonds will be permitted. Registered bonds will, however, be delivered upon conversion of coupon bonds if written request therefor be submitted with request for conversion. Bonds will be delivered in like denominations as the bonds upon the conversion of which they are respectively issued, unless written request for delivery in other denominations be submitted with request for conversion.

No deliveries of 4¼ per cent bonds of the first liberty loan converted or of 4¼ per cent bonds of the second liberty loan converted will be made before July 1, 1918, or such later date as may be determined by the Secretary of the Treasury. In respect of any bonds surrendered for conversion before such date the Federal reserve banks will issue appropriate certificates as receipts therefor. Such certificates will be inscribed in the respective names of bondholders signing the requests for conversion accompanying the bonds so surrendered. Such certificates upon surrender thereof to the Federal reserve banks which executed them, respectively, will entitle the persons whose names are inscribed thereon to delivery, after July 1, 1918, of the 4¼ per cent bonds to be issued as provided in this circular upon conversion of the bonds so surrendered. Transfers and exchanges of 4¼ per cent registered bonds of the first liberty loan converted and of 4¼ per cent registered bonds of the second liberty loan converted will not be made before August 1, 1918, or such later date as subsequently may be determined by the Secretary of the Treasury. The 4¼ per cent coupon bonds of

the first liberty loan converted will have four interest coupons attached covering semiannual interest payments maturing December 15, 1918, and up to and including June 15, 1920, and the 4¼ per cent coupon bonds of the second liberty loan converted will have four interest coupons attached covering semiannual interest payments maturing November 15, 1918, and up to and including May 15, 1920. On and after June 15, 1920, and May 15, 1920, respectively, the respective holders of such bonds should surrender the same and obtain a new bond or bonds having coupons attached thereto covering semiannual interest payments up to and including the respective maturities of such bonds.

Transportation charges upon bonds presented for conversion must be paid by the holders. Coupon bonds to be delivered upon conversions will, after July 1, 1918, or such later date as may be determined as provided above, either be delivered directly to the holders of the bonds surrendered for conversion at the time of such surrender, or in the absence of other written instructions and remittances to cover expenses, will be expressed at the owners' risk and expense. Registered bonds to be delivered upon conversions will, after July 1, 1918, or such later date as may be determined as provided above, be mailed.

As the cost of transportation of coupon bonds by express is greater than by registered mail insured, holders of coupon bonds desiring to present them for conversion are advised to consult with their own banks or trust companies, for arrangements may be made, as between Federal reserve banks and incorporated banks and trust companies, for transportation, to and from Federal reserve banks by registered mail insured, of the bonds to be converted and of the bonds to be issued upon conversions, the charges in each case to be paid by the respective holders and to be remitted by the incorporated banks and trust companies to the Federal Reserve banks. Information concerning any such arrangements will be furnished by Federal reserve banks to incorporated banks and trust companies.

IV. Adjustments of Interest Upon Conversions of 4 Per Cent Convertible Gold Bonds of 1927–1942 of the Second Liberty Loan in Coupon and Registered Form.

All 4 per cent coupon bonds of the second liberty loan surrendered for conversion must have coupon maturing November 15, 1918, and subsequent coupons attached. All 4¼ per cent bonds of the second liberty loan converted to be delivered upon conversions will bear interest at the rate of 4¼ per cent per annum from May 15, 1918.

Holders of 4 per cent bonds of the second liberty loan who desire to present and surrender such bonds for conversion on or after May 9, 1918, but before May 15, 1918, for the purpose of obtaining exact adjustments of interest as of the respective dates upon which such bonds may be surrendered for conversion, must present and surrender such bonds for conversion, as provided above, on or after May 9, 1918, but before May 15, 1918, and must properly fill in and sign the form of request for exact adjustment of interest appearing upon the back of the request for conversion. In such cases, but not otherwise, such holders will receive as soon as such payment can conveniently be made check covering the difference between interest upon such bonds at the rate of 4 per cent per annum and interest thereon at the rate of 4¼ per cent per annum from the respective dates upon which such bonds shall have been surrendered for conversion to May 15, 1918, in accordance with Interest Table No. 1, printed at page 11 of this circular. Except in cases where exact adjustments of interest are requested, as provided above, all 4 per cent bonds of the second liberty loan presented and surrendered for conversion before May 15, 1918, shall be deemed to have been surrendered for conversion as of May 15, 1918, and no payments to adjust interest will be made, nor will any such payments be required in respect of such bonds actually surrendered for conversion on May 15, 1918. Holders of coupon bonds presented and surrendered for conversion before May 15, 1918, should detach and cash when due coupon maturing May 15, 1918. Registered owners of registered bonds presented and surrendered for conversion before May 15, 1918, will receive on May 15, 1918, interest thereon at the rate of 4 per cent per annum from November 15, 1917, to May 15, 1918.

Holders of 4 per cent bonds of the second liberty loan who present such bonds for conversion after May 15, 1918, but not after July 1, 1918, must pay to the United States, in the manner provided below, the difference between interest at the rate of 4 per cent per annum and interest at the rate of 4¼ per cent per annum, from May 15, 1918, to the respective dates of conversion upon the respective face amounts of such bonds surrendered for conversion.

V. Adjustments of Interest upon Conversions of 4 per cent Convertible Gold Bonds of 1932–1947 of the First Liberty Loan Converted in Coupon and Registered Form.

All 4 per cent coupon bonds of the first liberty loan converted surrendered for conversion must have coupon maturing December 15, 1918, and subsequent coupons attached. All 4¼ per cent bonds of the first liberty loan converted to be delivered upon conversions of 4 per cent bonds of the first liberty loan converted, will bear interest at the rate of 4¼ per cent per annum from June 15, 1918.

Holders of 4 per cent bonds of the first liberty loan converted, who desire to present and surrender such bonds for conversion on or after May 9, 1918, but before June 15, 1918, for the purpose of obtaining exact adjustments of interest as of the respective dates upon which such bonds may be surrendered for conversion must present and surrender such bonds for conversion, as provided above, on or after May 9, 1918, but before June 15, 1918, and must properly fill in and sign the form of request for exact adjustment of interest appearing upon the back of the request for conversion. In such cases, but not otherwise, such holders will receive as soon as such payment can conveniently be made, check covering the difference between interest upon such bonds at the rate of 4 per cent per annum and interest thereon at the rate of 4¼ per cent per annum, from the respective dates upon which such bonds shall have been surrendered for conversion to June 15, 1918, in accordance with Interest Table No. 2, printed at page 12 of this circular. Except in cases where exact adjustments of interest are requested, as provided above, all 4 per cent bonds of the first liberty loan converted presented and surrendered for conversion before June 15, 1918, shall be deemed to have been surrendered for conversion as of June 15, 1918, and no payments to ajust interest will be made, nor will any such payments be required in respect of such bonds actually surrendered for conversion on June 15, 1918. Holders of coupon bonds presented and surrendered for conversion before June 15, 1918, should detach and cash when due coupon maturing June 15, 1918. Registered owners of registered bonds presented and surrendered for conversion before June 15, 1918, will receive on June 15, 1918, interest thereon at the rate of 4 per cent per annum from December 15, 1917, to June 15, 1918.

Holders of 4 per cent bonds of the first liberty loan converted who present such bonds for conversion after June 15, 1918, but not after July 1, 1918, must pay to the United States, in the manner provided below, the difference between interest at the rate of 4 per cent per annum and interest at the rate of 4¼ per cent per annum, from June 15, 1918, to the respective dates of conversion, upon the respective face amounts of such bonds surrendered for conversion.

VI. Adjustments of Interest Upon Conversions of 3½ Per Cent Gold Bonds of 1932–1947 of the First Liberty Loan in Coupon and Registered Form.

All 3½ per cent coupon bonds of the first liberty loan surrendered for conversion must have coupon maturing December 15, 1918, and subsequent coupons attached. All 4¼ per cent bonds of the first liberty loan converted to be delivered upon conversions of bonds of the first liberty loan will bear interest at the rate of 4¼ per cent per annum from June 15, 1918.

Inconvenience resulting from awkward adjustments of interest, both to the United States and to holders of bonds of the first liberty loan will be avoided if such holders who desire to convert their holdings effect conversions as of June 15, 1918. As the amounts involved in exact adjustments of interest upon conversions of bonds of the first liberty loan presented for conversion before June 15, 1918, in many instances will be insufficient to compensate for the inconvenience connected therewith, such adjustments will not be made unless requested, on the form provided for that purpose upon the request for conversion, as provided below, and except in such cases all 3½ per cent bonds of the first liberty loan presented and surrendered for conversion before June 15, 1918, shall be deemed to have been surrendered for conversion as of June 15, 1918. Payments to the United States to adjust interest will be required on all conversions of 3½ per cent bonds effected after June 15, 1918.

A. Conversions of 3½ per cent coupon and registered bonds of the first liberty loan as of June 15, 1918.—To effect conversions as of June 15, 1918, 3½ per cent bonds of the first liberty loan must be presented and surrendered for conversion, as provided above, on or after May 9, 1918, but not after June 15, 1918.

B. Conversions of 3½ per cent coupon and registered bonds of the first liberty loan on or after May 9, 1918, but before June 15, 1918, with exact adjustment of interest.—To effect conversions of bonds of the first liberty loan surrendered for conversion on or after May 9, 1918, but before June 15, 1918, with exact adjustment of interest as of the

respective dates upon which such bonds may be so surrendered, holders thereof must present and surrender such bonds, as provided above, and must properly fill in and sign the form of request for exact adjustment of interest appearing upon the back of the request for conversion, and in such cases, but not otherwise, such holders will receive as soon as such payment can conveniently be made, check covering the difference between interest upon such bonds at the rate of 3½ per cent per annum and interest thereon at the rate of 4¼ per cent per annum from the respective dates upon which such bonds shall have been surrendered for conversion to June 15, 1918, in accordance with Interest Table No. 3, printed at page 13 of this circular. Holders of coupon bonds surrendered for conversion on or before June 15, 1918, should detach and cash when due coupon maturing June 15, 1918. Registered owners of registered bonds so surrendered will receive on June 15, 1918, interest thereon at the rate of 3½ per cent per annum from December 15, 1917, to June 15, 1918.

C. *Conversion of 3½ per cent coupon and registered bonds of the first liberty loan ater June 15, 1918, but not after November 9, 1918, with payments to the United States required to adjust interest.*—To effect conversions after June 15, 1918, but not after November 9, 1918, 3½ per cent bonds of the first liberty loan must be presented and surrendered for conversion, as provided above, and the holders thereof must pay to the United States, in the manner provided in Subdivision VII of this circular, the difference between interest at the rate of 3½ per cent per annum and interest at the rate of 4¼ per cent per annum from June 15, 1918, to the respective dates of conversion upon the respective face amounts of such bonds in accordance with Interest Table No. 4, printed at page 14 of this circular.

Payments required to be made to the United States, as provided in this circular, to cover adjustments of interest upon bonds of the first liberty loan surrendered for conversion after June 15, 1918, are necessary to reimburse the United States for unearned interest which will be received, either upon the collection of coupons or registered interest, by holders of bonds issued upon conversion upon the next interest date after conversion is effected, for the period prior to the respective dates of conversion. For example, if bonds of the first liberty loan should be converted on July 15, 1918, holders thereof on December 15, 1918, would be entitled to interest at the rate of only 3½ per cent per annum from June 15 to July 15, 1918, though at the rate of 4¼ per cent per annum from July 15 to December 15, 1918. But as such holders will receive 4¼ per cent bonds of the first liberty loan converted, bearing interest at the rate of 4¼ per cent per annum from June 15, 1918, to December 15, 1918, payment must be made to the United States covering the difference between interest at the rate of 3½ per cent per annum, which is all such holders are entitled to for the period from June 15 to July 15, 1918, and interest at the rate of 4¼ per cent per annum for such period, which such holders will receive upon the collection of coupons or registered interest due December 15, 1918. Similar payments are also required to adjust interest in respect of bonds of the second liberty loan and of the first liberty loan converted, when presented and surrendered for conversion after May 15, 1918, and June 15, 1918, respectively, but not after July 1, 1918. Similar payments are, however, not required to adjust interest in respect of bonds of the second liberty loan or of the first liberty loan converted, presented for conversion after July 1, 1918, because the act of Congress approved April 4, 1918, provides in effect that holders of such bonds presented for conversion after that date—for example, on July 15, 1918—will be entitled to receive interest at the rate of 4¼ per cent per annum from May 15, 1918, and June 15, 1918, respectively.

VII. Method of Making Payments to Adjust Interest Whenever Required.

All payments to the United States required or provided for in this circular must be made in cash or by post office or express money order, bank draft, or certified check collectible without exchange at the place where conversion is to be effected, and payable, if conversion is to be effected at the Treasury Department in Washington, to the order of "Treasurer of the United States second conversion account," or, if conversion is to be effected at a Federal reserve bank, payable to "Federal Reserve Bank of ...... (Here insert name of city in which bank is located) second conversion account." No other forms of payment will be accepted. Such payments must be sufficient to cover interest up to the date when such payments will actually be received at the place where conversion is to be effected.

VIII. Recurrent Conversion Privilege of 3½ Per Cent Bonds of the First Liberty Loan.

Holders of bonds of the first liberty loan, who do not present and surrender the same for conversion, in accordance with the provisions of this circular, on or before November 9, 1918, will lose once for all the conversion privilege arising as a consequence of the issue of the bonds of the third liberty loan, or of the issue of any additional bonds of the same series. If, however, any subsequent series of bonds (not including United States certificates of indebtedness and other short-term obligations) shall be issued by the United States at a higher rate of interest than 3½ per cent per annum before the termination of the war between the United States and the Imperial German Government (the date of such termination to be fixed by a proclamation of the President of the United States), the holders of any bonds of the first liberty loan, in respect of which the present conversion privilege shall not have been exercised, shall have the privilege, at any time within six months after the issue of bonds of such subsequent series (the date of such issue to be fixed by prior public announcement by the Secretary of the Treasury) of converting their bonds at par—upon presentation and surrender thereof with all unmatured coupons, at the Treasury Department, Washington, or at such other agencies as the Secretary of the Treasury may designate for the purpose, and upon adjustment of accrued interest to the date of conversion—into an equal par amount of bonds bearing such higher rate of interest, and substantially identical with the bonds of such subsequent series, except that the bonds to be issued upon such conversion shall be identical with the bonds of the first liberty loan as to maturity of principal and of interest, and terms of redemption.

IX. Nonrecurrent Conversion Privileges of 4 Per Cent Bonds of the First Liberty Loan Converted and of 4 Per Cent Bonds of the Second Liberty Loan.

In respect of any 4 per cent convertible gold bonds of 1932–1947 of the first liberty loan converted and in respect of any 4 per cent convertible gold bonds of 1927–1942 of the second liberty loan, as to which the conversion privilege arising as a consequence of the issue of bonds of the third liberty loan, shall not be exercised within the prescribed period, in accordance with the provisions of this circular, no further conversion privilege will arise again though bonds are hereafter issued by the United States bearing interest at a higher rate or rates than 4 per cent per annum.

X. Description of 4¼ per cent Gold Bonds of 1932–1947 of the First Liberty Loan Converted, to be Issued (a) Upon Conversions of 3½ per cent Gold Bonds of 1932–1947 of the First Liberty Loan and (b) Upon Conversions of 4 per cent Convertible Gold Bonds of 1932–1947 of the First Liberty Loan Converted.

Bearer bonds with interest coupons attached will be issued in denominations of $50, $100, $500, $1 000, $5,000, and $10 000. Bonds registered as to principal and interest will be issued in denominations of $50, $100, $500, $1,000, $5,000, $10,000, $50,000, and $100,000. Provision will be made for the interchange of bonds of different denominations and of coupon and registered bonds and for the transfer of registered bonds, without charge by the United States and under rules and regulations prescribed by the Secretary of the Treasury.

The bonds will be dated May 9, 1918, and will bear interest at the rate of 4¼ per cent per annum, but only from June 15, 1918, payable semiannually on June 15 and December 15. The bonds will mature June 15, 1947, but the issue may be redeemed on or after June 15, 1932, in whole or in part, at par and accrued interest, on three months published notice, on any interest day; in case of partial redemption the bonds to be redeemed to be determined by lot by such method as may be prescribed by the Secretary of the Treasury. The principal and interest of the bonds are payable in United States gold coin of the present standard of value. The bonds will be receivable as security for deposits of public money, but will not bear the circulation privilege.

The bonds shall be exempt, both as to principal and interest, from all taxation now or hereafter imposed by the United States any State, or any of the possessions of the United States or by any local taxing authority, except (*a*) estate or inheritance taxes and (*b*) graduated additional income taxes commonly known as surtaxes and excess-profits and war-profits taxes, now or hereafter imposed by the United States, upon the income or profits of individuals partnerships, associations, or corporations. The interest on an amount of bonds and certificates authorized by the act of Congress approved September 24, 1917, or by said act as amended by the act approved April 4, 1918, the principal of which does not exceed in the aggregate $5,000, owned by any

individual, partnership, association, or corporation, shall be exempt from the taxes provided for in clause (*b*) above.

The bonds of this issue are not entitled to any privilege of conversion into bonds bearing a higher rate of interest.

Any of the bonds which have been owned by any person continuously for at least six months prior to the date of his death, and which upon such date constitute part of his estate, shall, under rules and regulations prescribed by the Secretary of the Treasury, be receivable by the United States at par and accrued interest in payment of any estate or inheritance taxes imposed by the United States, under or by virtue of any present or future law, upon such estate or the inheritance thereof.

The Secretary of the Treasury is authorized, from time to time, until the expiration of one year after the termination of the war, to purchase bonds of this issue at such prices and upon such terms and conditions as he may prescribe. The par amount of bonds of this issue which may be purchased in the 12 months' period beginning on the date of issue shall not exceed one-twentieth of the par amount of such bonds originally issued, and in each 12 months' period thereafter, shall not exceed one-twentieth of the amount of the bonds of such issue outstanding at the beginning of such 12 months' period. The average cost of the bonds of this issue purchased in any such 12 months' period shall not exceed par and accrued interest.

XI. Description of 4¼ Per Cent Gold Bonds of 1927–1942 of the Second Liberty Loan Converted to be Issued upon Conversions of 4 Per Cent Convertible Gold Bonds of 1927–1942 of the Second Liberty Loan.

Bearer bonds with interest coupons attached will be issued in denominations of \$50, \$100, \$500, \$1,000, \$5,000, and \$10,000. Bonds registered as to principal and interest will be issued in denominations of \$50, \$100, \$500, \$1,000, \$5,000, \$10,000, \$50,000, and \$100,000. Provision will be made for the interchange of bonds of different denominations and of coupon and registered bonds and for the transfer of registered bonds, without charge by the United States, and under rules and regulations prescribed by the Secretary of the Treasury.

The bonds will be dated May 9, 1918, and will bear interest at the rate of 4¼ per cent per annum, but only from May 15, 1918, payable semiannually on May 15 and November 15. The bonds will mature November 15, 1942, but the issue may be redeemed at the option of the United States on or after November 15, 1927, in whole or in part, at par and accrued interest, on any interest day, on six months' notice given in such manner as the Secretary of the Treasury shall prescribe. In case of partial redemption the bonds to be redeemed will be determined by such method as may be prescribed by the Secretary of the Treasury. The principal and interest of the bonds are payable in United States gold coin of the present standard of value. The bonds will be receivable as security for deposits of public money, but will not bear the circulation privilege.

The bonds shall be exempt, both as to principal and interest, from all taxation now or hereafter imposed by the United States, any State, or any of the possessions of the United States, or by any local taxing authority, except (*a*) estate or inheritance taxes and (*b*) graduated additional income taxes, commonly known as surtaxes, and excess-profits and war-profits taxes, now or hereafter imposed by the United States, upon the income or profits of individuals, partnerships, associations, or corporations. The interest on an amount of bonds and certificates authorized by the act of Congress approved September 24, 1917, or by said act as amended by the act approved April 4, 1918, the principal of which does not exceed in the aggregate \$5,000, owned by any individual, partnership, association, or corporation, shall be exempt from the taxes provided for in clause (*b*) above.

The bonds of this issue are not entitled to any privilege of conversion into bonds bearing a higher rate of interest.

Any of the bonds which have been owned by any person continuously for at least six months prior to the date of his death, and which upon such date constitute part of his estate, shall, under rules and regulations prescribed by the Secretary of the Treasury, be receivable by the United States at par and accrued interest in payment of any estate or inheritance taxes imposed by the United States, under or by virtue of any present or future law, upon such estate or the inheritance thereof.

The Secretary of the Treasury is authorized, from time to time, until the expiration of one year after the termination of the war, to purchase bonds of this issue at such prices and upon such terms and conditions as he may prescribe. The par amount of bonds of this issue which may be purchased in the 12 months' period beginning on the date of issue shall not exceed one-twentieth of the par amount of such bonds originally issued, and in each 12 months' period thereafter, shall not exceed one-

twentieth of the amount of the bonds of such issue outstanding at the beginning of such 12 months' period. The average cost of the bonds of this issue purchased in any such 12 months' period shall not exceed par and accrued interest.

W. G. McAdoo,
Secretary of the Treasury.

[Form L. and C. 25, Loans and Currency, Treasury Department.]

LIBERTY LOAN—REQUEST FOR CONVERSION.

Only one series of bonds may be entered on this form, and separate forms must also be used for (1) coupon bonds, and (2) registered bonds.

Dated......................, 1918.

To the Secretary of the Treasury.

The undersigned herewith presents and surrenders—

3½ per cent gold bonds of 1932–1947 of the first liberty loan...............\$..........
4 per cent convertible gold bonds of 1932–1947 of the first liberty loan converted... ....
4 per cent convertible gold bonds of 1927–1942 of the second liberty loan. ....

in {coupon / registered} form, and requests that the same be converted into an equal face amount of 4¼ per cent gold bonds according to the terms of Treasury Department Circular No. 114, dated May 9, 1918. Special instructions, if any, are given by the undersigned on the back hereof.

Autograph signature of holder in full..
Address, number and street (for delivery of bonds)..........................
City or town..
County.................................. State.......................................

1. (*a*) If 4 per cent bonds of the second liberty loan are surrendered for conversion after July 1, 1918, or (*b*) if 4 per cent bonds of the first liberty loan converted are surrendered for conversion after July 1, 1918, the execution of the above form is all that is required.

2. (*a*) If 4 per cent bonds of the second liberty loan are surrendered for conversion before May 15, 1918, or (*b*) if 4 per cent bonds of the first liberty loan converted are surrendered for conversion before June 15, 1918, or (*c*) if 3½ per cent bonds of the first liberty loan are surrendered for conversion before June 15, 1918, unless exact adjustment of interest is requested, the execution of the above form is all that is required. If, however, exact adjustment of interest is requested in any case the form appearing on the back hereof must be executed.

3. (*a*) If 4 per cent bonds of the second liberty loan are surrendered for conversion after May 15, 1918, but not after July 1, 1918, or (*b*) if 4 per cent bonds of the first liberty loan converted are surrendered for conversion after June 15, 1918, but not after July 1, 1918, or (*c*) if 3½ per cent bonds of the first liberty loan are surrendered for conversion after June 15, 1918, payment must be made to the United States of the amounts required to adjust interest. The form covering remittance appearing on the back hereof must be used.

4. Payments whenever required to adjust interest must be sufficient to cover such interest up to the date when such payments will be actually received at the place of conversion. Such payments must be made in cash, or by post office or express money order, bank draft, or certified check collectible without exchange at the place where conversion is to be effected, and payable if conversion is to be effected at the Treasury Department in Washington, to the order of "Treasurer of the United States, second conversion account," or, if conversion is to be effected at a Federal reserve bank, payable to "Federal reserve bank of ...... (here insert name of city in which bank is located) second conversion account." No other forms of payment will be accepted.

5. All registered bonds surrendered for conversion must be assigned to "The Secretary of the Treasury for conversion."

6. Registered bonds will be issued upon conversion of coupon bonds if the form of request for registered bonds appearing on the back hereof is duly executed. Coupon bonds will not be issued upon conversion of registered bonds, nor will registered bonds be issued in a name other than that in which the registered bonds surrendered are inscribed.

Following forms to be used only for giving special instructions:

1. If registered bonds are desired upon conversion of coupon bonds, use this form.

Referring to $......, face amount, of coupon bonds surrendered herewith for conversion, the undersigned hereby requests the issue of registered bonds inscribed in the name of ...... (Mr., Mrs., or Miss) ...... (first name in full) ...... (middle name or initial) ...... (last name).

Address for interest checks (give full address) .... (number) .... (street) ...... (city) ...... (State).

Signature of person signing request for conversion ......

II. If exact adjustment of interest is desired, use this form.

Referring to $......, face amount, of bonds surrendered herewith for conversion, the undersigned hereby requests that exact adjustment of interest be made in respect thereof, computed from the date of receipt hereof, either by a Federal reserve bank or by the Secretary of the Treasury, to—

May 15, 1918, in case of 4 per cent bonds of second liberty loan, at the rate of one-fourth per cent per annum.

June 15, 1918, in case of 4 per cent bonds of first liberty loan converted, at the rate of one-fourth per cent per annum.

June 15, 1918, in case of 3½ per cent bonds of first liberty loan, at the rate of three-fourths per cent per annum.

Signature of person signing request for conversion ......

III. If 3½ per cent bonds of the first liberty loan are presented for conversion after June 15, 1918, this form must be used in remitting accrued interest.[1]

Referring to $......, face amount, of bonds surrendered for conversion herewith, the undersigned herewith incloses $......, being amount necessary to adjust interest thereon from June 15, 1918, to ......, 1918, in accordance with Interest Table No. 4, appearing in Treasury Department Circular No. 114, dated May 9, 1918.

Signature of person signing request for conversion ......

IV. If delivery is desired of bonds in a different denomination or denomination from the bond or bonds surrendered, use this form.

Referring to $......,[2] face amount, of bonds surrendered for conversion herewith, the undersigned hereby requests delivery of bonds upon conversion as follows:

Number of bonds.	Denominations.	Total.
....	$50	....
....	$100	....
....	$500	....
....	$1,000	....
....	$5,000	....
....	$10,000	....
....	[3] $50,000	....
....	[3] $100,000	....
Total[2]..........	....	$..............

Signature of person signing request for conversion ......

INTEREST TABLE NO. 1.—*Amounts payable by the United States to adjust interest upon conversions of 4 per cent convertible gold bonds of 1927–1942 of the second liberty loan, presented for conversion before May 15, 1918, into 4¼ per cent gold bonds of 1927–1942 of the second liberty loan converted.*

[For example as to use of table, see note at end of this interest table.]

Date.	Denominations.							
	$50	$100	$500	$1,000	$5,000	$10,000	$50,000	$100,000
1918								
May 9	$0.00	$0.00	$0.02	$0.04	$0.21	$0.41	$2.07	$4.14
10	.00	.00	.02	.03	.17	.35	1.73	3.45
11	.00	.00	.01	.03	.14	.28	1.38	2.76
12	.00	.00	.01	.02	.10	.21	1.04	2.07
13	.00	.00	.01	.01	.07	.14	.69	1.38
14	.00	.00	.00	.01	.03	.07	.35	.69

[1] A similar form should be used to cover remittances when required to adjust interest upon 4 per cent bonds of the second liberty loan and of the first liberty loan converted, but in such cases Interest Table No. 4 must not be used.

[2] These amounts must be the same: otherwise request may be disregarded.

[3] Coupon bonds are not issued in these denominations.

NOTE.—To ascertain the correct amount to adjust interest upon any given date, run down the date column until the date is reached upon which the bonds to be converted will be actually surrendered at the place of conversion, then run across the page to the right until the figure under the denomination column of the particular denomination of bonds to be converted is reached, and then multiply that figure by the number of bonds of that denomination to be converted. For example, to convert on May 12, 1918, $10,000, face amount, of bonds of the denomination of $1,000 each, the amount to be paid by the United States, as shown by the foregoing interest table to adjust interest upon a $1,000 bond being $0.02, that amount must be multiplied by 10, and the result shows that a payment of $0.20 would have to be made by the United States to adjust interest upon conversion of such bonds upon that date.

INTEREST TABLE NO. 2.—*Amounts payable by the United States to adjust interest upon conversions of 4 per cent convertible gold bonds of 1932–1947 of the first liberty loan converted, presented for conversion before June 15, 1918, into 4¼ per cent gold bonds of 1932–1947 of the first liberty loan converted.*

[For example as to use of table see note at end of this interest table.]

Date.	Denominations.							
	$50	$100	$500	$1,000	$5,000	$10,000	$50,000	$100,000
1918.								
May 9	$0.01	$0.03	$0.13	$0.25	$1.27	$2.54	$12.71	$25.41
10	.01	.02	.12	.25	1.24	2.47	12.36	24.73
11	.01	.02	.12	.24	1.20	2.40	12.02	24.04
12	.01	.02	.12	.23	1.17	2.34	11.68	23.35
13	.01	.02	.11	.23	1.13	2.27	11.33	22.66
14	.01	.02	.11	.22	1.10	2.20	10.99	21.98
15	.01	.02	.11	.21	1.06	2.13	10.65	21.29
16	.01	.02	.10	.21	1.03	2.06	10.30	20.60
17	.01	.02	.10	.20	1.00	1.99	9.96	19.92
18	.01	.02	.10	.19	.96	1.92	9.62	19.23
19	.01	.02	.09	19	.93	1.85	9.27	18.54
20	.01	.02	.09	.18	.89	1.79	8.93	17.86
21	.01	.02	.09	.17	.86	1.72	8.59	17.17
22	.01	.02	.08	.16	.82	1.65	8.24	16.48
23	.01	.02	.08	.16	.79	1.58	7.90	15.80
24	.01	.02	.08	.15	.76	1.51	7.55	15.11
25	.01	.01	.07	.14	.72	1.44	7.21	14.42
26	.01	.01	.07	.14	.69	1.37	6.87	13.74
27	.01	.01	.07	.13	.65	1.30	6.52	13.05
28	.01	.01	.06	.12	.62	1.24	6.18	12.36
29	.01	.01	.06	.12	.58	1.17	5.84	11.68
30	.01	.01	.05	.11	.55	1.10	5.49	10.99
31	.01	.01	.05	.10	.52	1.03	5.15	10.30
June 1	.00	.01	.05	.10	.48	.96	4.81	9.62
2	.00	.01	.04	.09	.45	.89	4.46	8.93
3	.00	.01	.04	.08	.41	.82	4.12	8.24
4	.00	.01	.04	.08	.38	.76	3.78	7.55
5	.00	.01	.03	.07	.34	.69	3.43	6.87
6	.00	.01	.03	.06	.31	.62	3.09	6.18
7	.00	.01	.03	.05	.27	.55	2.75	5.49
8	.00	.00	.02	.05	.24	.48	2.40	4.81
9	.00	.00	.02	.04	.21	.41	2.06	4.12
10	.00	.00	.02	.03	.17	.34	1.72	3.43
11	.00	.00	.01	.03	.14	.27	1.37	2.75
12	.00	.00	.01	.02	.10	.21	1.03	2.06
13	.00	.00	.01	.01	.07	.14	.69	1.37
14	.00	.00	.00	.01	.03	.07	.34	.69

NOTE.—To ascertain the correct amount to adjust interest upon any given date, run down the date column until the date is reached upon which the bonds to be converted will be actually surrendered at the place of conversion, then run across the page to the right until the figure under the denomination column of the particular denomination of bonds to be converted is reached, and then multiply that figure by the number of bonds of that denomination to be converted. For example, to convert on May 12, 1918, $10,000, face amount, of bonds of the denomination of $1,000 each, the amount to be paid by the United States, as shown by the foregoing interest table to adjust interest upon a $1,000 bond being $0.23, that amount must be multiplied by 10, and the result shows that a payment of $2.30 would have to be made by the United States to adjust interest upon conversion of such bonds upon that date.

INTEREST TABLE NO. 3.—*Amounts payable by the United States to adjust interest upon conversions of $3\frac{1}{2}$ per cent gold bonds of 1932–1947 of the first liberty loan, presented for conversion before June 15, 1918, into $4\frac{1}{4}$ per cent gold bonds of 1932–1947 of the first liberty loan converted.*

[For example as to use of table see note at end of this interest table.]

Date.	Denominations.							
	$50	$100	$500	$1,000	$5,000	$10,000	$50,000	$100,000
1918.								
May 9	$0.04	$0.08	$0.38	$0.76	$3.81	$7.62	$38.12	$76.24
10	.04	.07	.37	.74	3.71	7.42	37.09	74.18
11	.04	.07	.36	.72	3.61	7.21	36.06	72.12
12	.04	.07	.35	.70	3.50	7.01	35.03	70.05
13	.03	.07	.34	.68	3.40	6.80	34.00	67.99
14	.03	.07	.33	.66	3.30	6.59	32.97	65.93
15	.03	.06	.32	.64	3.19	6.39	31.94	63.87
16	.03	.06	.31	.62	3.09	6.18	30.91	61.81
17	.03	.06	.30	.60	2.99	5.98	29.88	59.75
18	.03	.06	.29	.58	2.88	5.77	28.85	57.69
19	.03	.06	.28	.56	2.78	5.56	27.82	55.63
20	.03	.05	.27	.54	2.68	5.36	26.79	53.57
21	.03	.05	.26	.52	2.58	5.15	25.76	51.51
22	.02	.05	.25	.49	2.47	4.95	24.73	49.45
23	.02	.05	.24	.47	2.37	4.74	23.70	47.39
24	.02	.05	.23	.45	2.27	4.53	22.66	45.33
25	.02	.04	.22	.43	2.16	4.33	21.63	43.27
26	.02	.04	.21	.41	2.06	4.12	20.60	41.21
27	.02	.04	.20	.39	1.96	3.91	19.57	39.15
28	.02	.04	.19	.37	1.85	3.71	18.54	37.09
29	.02	.04	.18	.35	1.75	3.50	17.51	35.03
30	.02	.03	.16	.33	1.65	3.30	16.48	32.97
31	.02	.03	.15	.31	1.55	3.09	15.45	30.91
June 1	.01	.03	.14	.29	1.44	2.88	14.42	28.85
2	.01	.03	.13	.27	1.34	2.68	13.39	26.79
3	.01	.02	.12	.25	1.24	2.47	12.36	24.73
4	.01	.02	.11	.23	1.13	2.27	11.33	22.66
5	.01	.02	.10	.21	1.03	2.06	10.30	20.60
6	.01	.02	.09	.19	.93	1.85	9.27	18.54
7	.01	.02	.08	.16	.82	1.65	8.24	16.48
8	.01	.01	.07	.14	.72	1.44	7.21	14.42
9	.01	.01	.06	.12	.62	1.24	6.18	12.36
10	.01	.01	.05	.10	.52	1.03	5.15	10.30
11	.00	.01	.04	.08	.41	.82	4.12	8.24
12	.00	.01	.03	.06	.31	.62	3.09	6.18
13	.00	.00	.02	.04	.21	.41	2.06	4.12
14	.00	.00	.01	.02	.10	.21	1.03	2.06

NOTE.—To ascertain the correct amount to adjust interest upon any given date, run down the date column until the date is reached upon which the bonds to be converted will be actually surrendered at the place of conversion, and then across the page to the right until the figure under the denomination column of the particular denomination of bonds to be converted is reached, and then multiply that figure by the number of bonds of that denomination to be converted. For example, to convert on May 12, 1918, $10,000, face amount, of bonds, of the denomination of $1,000 each, the amount to be paid by the United States, in cases where exact adjustment of interest is requested, as shown by the foregoing interest table, to adjust interest upon a $1,000 bond, being $0.70, that amount must be multiplied by 10, and the result shows that a payment of $7 would have to be made by the United States to adjust interest upon conversion of such bonds upon that date.

INTEREST TABLE NO. 4.—*Amounts required to be paid to the United States to adjust interest upon conversions of $3\frac{1}{2}$ per cent gold bonds of 1932–1947 of the first liberty loan, presented for conversion after June 15, 1918, into $4\frac{1}{4}$ per cent gold bonds of 1932–1947 of the first liberty loan converted.*

[For example as to use of table see note at end of this interest table.]

Date.	Denominations.							
	$50	$100	$500	$1,000	$5,000	$10,000	$50,000	$100,000
1918.								
June 16	$0.00	$0.00	$0.01	$ .02	$0.10	$0.20	$1.02	$2.05
17	.00	.00	.02	.04	.20	.41	2.05	4.10
18	.00	.01	.03	.06	.31	.61	3.07	6.15
19	.00	.01	.04	.08	.41	.82	4.10	8.20
20	.01	.01	.05	.10	.51	1.02	5.12	10.25
21	.01	.01	.06	.12	.61	1.23	6.15	12.30
22	.01	.01	.07	.14	.72	1.43	7.17	14.34
23	.01	.02	.08	.16	.82	1.64	8.20	16.39
24	.01	.02	.09	.18	.92	1.84	9.22	18.44
25	.01	.02	.10	.20	1.02	2.05	10.25	20.49
26	.01	.02	.11	.23	1.13	2.25	11.27	22.54
27	.01	.02	.12	.25	1.23	2.46	12.30	24.59
28	.01	.03	.13	.27	1.33	2.66	13.32	26.64
29	.01	.03	.14	.29	1.43	2.87	14.34	28.69
30	.02	.03	.15	.31	1.54	3.07	15.37	30.74
July 1	.02	.03	.16	.33	1.64	3.28	16.39	32.79
2	.02	.03	.17	.35	1.74	3.48	17.42	34.84
3	.02	.04	.18	.37	1.84	3.69	18.44	36.89
4	.02	.04	.19	.39	1.95	3.89	19.47	38.93
5	.02	.04	.20	.41	2.05	4.10	20.49	40.98
6	.02	.04	.22	.43	2.15	4.30	21.52	43.03
7	.02	.05	.23	.45	2.25	4.51	22.54	45.08
8	.02	.05	.24	.47	2.36	4.71	23.57	47.13
9	.02	.05	.25	.49	2.46	4.92	24.59	49.18
10	.03	.05	.26	.51	2.56	5.12	25.64	51.23
11	.03	.05	.27	.53	2.66	5.33	26.61	53.28
12	.03	.06	.28	.55	2.77	5.53	27.66	55.33
13	.03	.06	.29	.57	2.87	5.74	28.69	57.38
14	.03	.06	.30	.59	2.97	5.94	29.71	59.43
15	.03	.06	.31	.61	3.07	6.15	30.74	61.48
16	.03	.06	.32	.64	3.18	6.35	31.76	63.52
17	.03	.07	.33	.66	3.28	6.56	32.79	65.57
18	.03	.07	.34	.68	3.38	6.76	33.81	67.62
19	.03	.07	.35	.70	3.48	6.97	34.84	69.67
20	.04	.07	.36	.72	3.59	7.17	35.86	71.72
21	.04	.07	.37	.74	3.69	7.38	36.89	73.77
22	.04	.08	.38	.76	3.79	7.58	37.91	75.82
23	.04	.08	.39	.78	3.89	7.79	38.93	77.87
24	.04	.08	.40	.80	[illegible]	7.99	39.96	79.92
25	.04	.08	.41	.82	4.10	8.20	40.98	81.97
26	.04	.08	.42	.84	4.20	8.40	42.01	84.02
27	.04	.09	.43	.86	4.30	8.61	43.03	86.07
28	.04	.09	.44	.88	4.41	8.81	44.06	88.11
29	.05	.09	.45	.90	4.51	9.02	45.08	90.16
30	.05	.09	.46	.92	4.61	9.22	46.11	92.21
31	.05	.09	.47	.94	4.71	9.43	47.13	94.26
Aug. 1	.05	.10	.48	.96	4.82	9.63	48.16	96.31
2	.05	.10	.49	.98	4.92	9.84	49.18	98.36
3	.05	.10	.50	1.00	5.02	10.04	50.20	100.41
4	.05	.10	.51	1.02	5.12	10.25	51.23	102 46
5	.05	.10	.52	1.05	5.23	10.45	52.25	104.51
6	.05	.11	.53	1.07	5.33	10.66	53.28	106.56
7	.05	.11	.54	1.09	5.43	10.86	54.30	108.61
8	.06	.11	.55	1.11	5.53	11.07	55.33	110.66
9	.06	.11	.56	1.13	5.64	11.27	56.35	112.70
10	.06	.11	.57	1.15	5.74	11.48	57.38	114.75
11	.06	.12	.58	1.17	5.84	11.68	58.40	116.80
12	.06	.12	.59	1.19	5.94	11.89	59.43	118.85
13	.06	.12	.60	1.21	6.05	12.09	60.45	120.90
14	.06	.12	.61	1.23	6.15	12.30	61.48	122.95
15	.06	.13	.62	1.25	6.25	12.50	62.50	125.00
16	.06	.13	.64	1.27	6.35	12.70	63.52	127.05
17	.06	.13	.65	1.29	6.45	12.91	64.55	129.10
18	.07	.13	.66	1.31	6.56	13.11	65.57	131.15
19	.07	.13	.67	1.33	6.66	13.32	66.60	133.20
20	.07	.14	.68	1.35	6.76	13.52	67.62	135.25
21	.07	.14	.69	1.37	6.86	13.73	68.65	137.30
22	.07	.14	.70	1.39	6.97	13.93	69.67	139.34
23	.07	.14	.71	1.41	7.07	14.14	70.70	141.39
24	.07	.14	.72	1.43	7.17	14.34	71.72	143.44
25	.07	.15	.73	1.45	7.27	14.55	72.75	145.49

INTEREST TABLE NO. 4.—*Amounts required to be paid to the United States to adjus interest upon conversions of 3½ per cent gold bonds of 1932–1947 of the first liberty loan presented for conversion after June 15, 1918, into 4¼ per cent gold bonds of 1932–1947 of the first liberty loan converted*—Continued.

[For example as to use of table see note at end of this interest table.]

Date.	Denominations.							
	$50	$100	$500	$1,000	$5,000	$10,000	$50,000	$100,000
1918.								
Aug. 26	$0.07	$0.15	$0.74	$1.48	$7.38	$14.75	$73.77	$147.54
27	.07	.15	.75	1.50	7.48	14.96	74.80	149.59
28	.08	.15	.76	1.52	7.58	15.16	75.82	151.64
29	.08	.15	.77	1.54	7.68	15.37	76.84	153.69
30	.08	.16	.78	1.56	7.79	15.57	77.87	155.74
31	.08	.16	.79	1.58	7.89	15.78	78.89	157.79
Sept. 1	.08	.16	.80	1.60	7.99	15.98	79.92	159.84
2	.08	.16	.81	1.62	8.09	16.19	80.94	161.89
3	.08	.16	.82	1.64	8.20	16.39	81.97	163.93
4	.08	.17	.83	1.66	8.30	16.60	82.99	165.98
5	.08	.17	.84	1.68	8.40	16.80	84.02	168.03
6	.09	.17	.85	1.70	8.50	17.01	85.04	170.08
7	.09	.17	.86	1.72	8.61	17.21	86.07	172.13
8	.09	.17	.87	1.74	8.71	17.42	87.09	174.18
9	.09	.18	.88	1.76	8.81	17.62	88.11	176.23
10	.09	.18	.89	1.78	8.91	17.83	89.14	178.28
11	.09	.18	.90	1.80	9.02	18.03	90.16	180.33
12	.09	.18	.91	1.82	9.12	18.24	91.19	182.38
13	.09	.18	.92	1.84	9.22	18.44	92.21	184.43
14	.09	.19	.93	1.86	9.32	18.65	93.24	186.48
15	.09	.19	.94	1.89	9.43	18.85	94.26	188.52
16	.10	.19	.95	1.91	9.53	19.06	95.29	190.57
17	.10	.19	.96	1.93	9.63	19.26	96.31	192.62
18	.10	.19	.97	1.95	9.73	19.47	97.34	194.67
19	.10	.20	.98	1.97	9.84	19.67	98.36	196.72
20	.10	.20	.99	1.99	9.94	19.88	99.39	198.77
21	.10	.20	1.00	2.01	10.04	20.08	100.41	200.82
22	.10	.20	1.01	2.03	10.14	20.29	101.43	202.87
23	.10	.20	1.02	2.05	10.25	20.49	102.46	204.92
24	.10	.21	1.03	2.07	10.35	20.70	103.48	206.97
25	.10	.21	1.05	2.09	10.45	20.90	104.51	209.02
26	.11	.21	1.06	2.11	10.55	21.11	105.53	211.07
27	.11	.21	1.07	2.13	10.66	21.31	106.56	213.11
28	.11	.22	1.08	2.15	10.76	21.52	107.58	215.16
29	.11	.22	1.09	2.17	10.86	21.72	108.61	217.21
30	.11	.22	1.10	2.19	10.96	21.93	109.63	219.26
Oct. 1	.11	.22	1.11	2.21	11.07	22.13	110.66	221.31
2	.11	.22	1.12	2.23	11.17	22.34	111.68	223.36
3	.11	.23	1.13	2.25	11.27	22.54	112.70	225.41
4	.11	.23	1.14	2.27	11.37	22.75	113.73	227.46
5	.11	.23	1.15	2.30	11.48	22.95	114.75	229.51
6	.12	.23	1.16	2.32	11.58	23.16	115.78	231.56
7	.12	.23	1.17	2.34	11.68	23.36	116.80	233.61
8	.12	.24	1.18	2.36	11.78	23.57	117.83	235.66
9	.12	.24	1.19	2.38	11.89	23.77	118.85	237.70
10	.12	.24	1.20	2.40	11.99	23.98	119.88	239.75
11	.12	.24	1.21	2.42	12.09	24.18	120.90	241.80
12	.12	.24	1.22	2.44	12.19	24.39	121.93	243.85
13	.12	.25	1.23	2.46	12.30	24.59	122.95	245.90
14	.12	.25	1.24	2.48	12.40	24.80	123.98	247.95
15	.13	.25	1.25	2.50	12.50	25.00	125.00	250.00
16	.13	.25	1.26	2.52	12.60	25.20	126.02	252.05
17	.13	.25	1.27	2.54	12.70	25.41	127.05	254.10
18	.13	.26	1.28	2.56	12.81	25.61	128.07	256.15
19	.13	.26	1.29	2.58	12.91	25.82	129.10	258.20
20	.13	.26	1.30	2.60	13.01	26.02	130.12	260.25
21	.13	.26	1.31	2.62	13.11	26.23	131.15	262.30
22	.13	.26	1.32	2.64	13.22	26.43	132.17	264.34
23	.13	.27	1.33	2.66	13.32	26.64	133.20	266.39
24	.13	.27	1.34	2.68	13.42	26.84	134.22	268.44
25	.14	.27	1.35	2.70	13.52	27.05	135.25	270.49
26	.14	.27	1.36	2.73	13.63	27.25	136.27	272.54
27	.14	.27	1.37	2.75	13.73	27.46	137.30	274.59
28	.14	.28	1.38	2.77	13.83	27.66	138.32	276.64
29	.14	.28	1.39	2.79	13.93	27.87	139.34	278.69
30	.14	.28	1.40	2.81	14.04	28.07	140.37	280.74
31	.14	.28	1.41	2.83	14.14	28.28	141.39	282.79
Nov. 1	.14	.28	1.42	2.85	14.24	28.48	142.42	284.84
2	.14	.29	1.43	2.87	14.34	28.69	143.44	286.89
3	.14	.29	1.44	2.89	14.45	28.89	144.47	288.93
4	.15	.29	1.45	2.91	14.55	29.10	145.49	290.98

INTEREST TABLE NO. 4.—*Amounts required to be paid to the United States to adjust interest upon conversions of 3½ per cent gold bonds of 1932–1947 of the first liberty loan, presented for conversion after June 15, 1918, into 4¼ per cent gold bonds of 1932–1947 of the first liberty loan converted*—Continued.

[For example as to use of table see note at end of this interest table.]

Date.	Denominations.							
	$50	$100	$500	$1,000	$5,000	$10,000	$50,000	$100,000
1918.								
Nov. 5	$0.15	$0.29	$1.47	$2.93	$14.65	$29.30	$146.52	$293.03
6	.15	.30	1.48	2.95	14.75	29.51	147.54	295.08
7	.15	.30	1.49	2.97	14.86	29.71	148.57	297.13
8	.15	.30	1.50	2.99	14.96	29.92	149.59	299.18
9	.15	.30	1.51	3.01	15.06	30.12	150.61	301.23

NOTE.—To ascertain the correct amount to adjust interest upon any given date, run down the date column until the date is reached upon which the bonds to be converted will be actually surrendered at the place of conversion, then run across the page to the right until the figure under the denomination column of the particular denomination of bonds to be converted is reached, and then multiply that figure by the number of bonds of that denomination to be converted. For example, to convert on July 9, 1918, $10,000, face amount, of bonds, of the denomination of $1,000 each, the amount required, as shown by the foregoing interest table, to adjust interest upon a $1,000 bond being $0.49, that amount must be multiplied by 10, and the result shows that a payment of $4.90 must be made to the United States to adjust interest upon conversion of such bonds upon that date.

STATEMENT RE DEFERRED PAYMENT OF TAXES.

Secretary McAdoo authorized the following statement:

The agitation in favor of legislation to authorize the payment of income and excess profits taxes in deferred installments is doing much harm. The war revenue act which became a law October 3, 1917, authorized payment of these taxes to be made in installments in advance and authorized the Secretary of the Treasury to issue Treasury certificates of indebtedness acceptable in payment of these taxes. The Treasury Department adjusted its plans to this law. Taxpayers have to a very large extent done likewise. Treasury certificates of indebtedness to the amount of nearly $2,000,000,000 maturing in June have been issued and sold, at least three-fourths of which have, it is believed, been purchased by taxpayers and banks in preparation for these tax payments. The minimum amount of the third liberty loan and the dates for payment of installments upon bond subscriptions were fixed by the Treasury Department with careful regard to the requirement of the law for the payment of the income and excess profits taxes in June or sooner. Seventy-five per cent of the required installment payments on subscriptions was deferred until July 18 and August 15, after the tax payment. The receipts from the liberty loan in May, after allowing for a liberal amount on account of optional payment in full, are not likely to be more than sufficient to meet the excess of current disbursements over receipts for that month together with the $1,000,000,000 of Treasury certificates of indebtedness which mature in May. Judging from the returns filed to date the amount of the income and excess profits taxes payable in June will not exceed the amount of the Government's current deficiency for the month plus the $2,000,000,000 Treasury certificates then maturing.

To permit the deferred payment of the income and excess profits taxes would necessitate the issue in June of Treasury certificates to a prohibitive amount, and the Treasury Department can not therefore, recommend to Congress the amendment of the existing law which requires the prompt payment of these taxes in June.

The Treasury can not finance the requirements of the war if only Treasury obligations are to have definite maturities. The June tax payments can be made, I am certain, without embarrassment or serious inconvenience to taxpayers, and that they should be paid promptly when due is of the utmost importance to the country. We should make up our minds to pay these taxes when due and get the business behind us. To defer them until the fall, when another liberty loan will have to be issued, will add new complications to the situation. I earnestly hope, therefore,

that further agitation may cease and that everyone will cooperate in the patriotic determination to do his duty in the payment of taxes at the time that duty ought to be performed.

STATEMENT RE TAX RETURNS.

Statement by Secretary McAdoo:

I am satisfied that the arrangements which have been made by the Treasury Department for the redeposit with qualified depositary banks of income and excess-profits tax payments and for the payment of such taxes by the surrender of Treasury certificates of indebtedness (which, to the amount of $1,600,000,000, were issued and sold in anticipation of these taxes), are sufficient and will be effective to prevent financial strain. All tax checks will go into the hands of the Federal reserve banks, which have instructions to make deposits throughout the United States proportionately. Withdrawals of such deposits will be made as gradually as the expenditures of the United States will permit. The transaction will thus be handled like a liberty loan payment, as nearly as the circumstances will permit. The amount of the payment on the second liberty loan made on November 15 was about $2,400,000,000. The amount of the payment on the third liberty loan made on May 9 was about $2,600,000,000. The estimated amount of the income and excess-profits tax payments is $2,775,000,000, of which nearly $600,000,000 has already been paid. The Federal reserve banks, which, under the direction of the Treasury Department, have so successfully handled these great liberty loan payments without financial disturbance or money stringency, will, no doubt, be able to accomplish the same thing in connection with the tax payments. There is no occasion whatever for apprehension nor for the curtailment of essential credits by the banking institutions of the country on account of the impending tax payment.

(Thereupon at 11.55 the committee took a recess until 2.30 p. m.)

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END OF
TITLE